SGI

Customer driven.

2007 Saskatchewan Auto Fund annual report

Vision

We will be the best customer-driven and affordable automobile insurance plan in Canada.

Values

Integrity

Conducting ourselves with honesty, trust and fairness

Caring

Acting with empathy, courtesy and respect

Innovation

Implementing creative solutions to achieve our vision

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Letter of Transmittal

Regina, Saskatchewan
March, 2008

To His Honour,
The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

Your Honour,

I have the honour to submit herewith the annual report of Saskatchewan Auto Fund for the year ended December 31, 2007, including the financial statements in the form required by the Treasury Board and in accordance with *The Automobile Accident Insurance Act*.

I have the Honour to be, Sir,

Your obedient Servant,

Honourable Ken Cheveldayoff
Minister of Crown Corporations

President's Message

The Saskatchewan Auto Fund celebrated another successful year in 2007 as we remained committed to our vision of providing the best customer-driven and affordable automobile insurance plan in Canada.

The Auto Fund enjoyed a strong year financially, posting a $32 million surplus in 2007 before customer rebates. At year end, the balance in the Rate Stabilization Reserve was a healthy $141 million.

The Fund achieved this financial result while continuing to offer quality products and services and maintaining the lowest insurance rates in the country.

To ensure we're constantly progressing towards our vision, corporate strategies have been developed with supporting targeted goals that are measured throughout the year. Corporate strategies focused on our customers, our business infrastructure and our employees in 2007 - with a large majority of targets either met or exceeded.

Our customers

One of the Auto Fund's primary goals is to anticipate and exceed customer expectations. SGI was established with the customer in mind and it continues to build its business on the belief that excellent customer service sets it apart in the insurance industry.

That approach appears to be working.

In 2007, we continued to offer the lowest average private automobile insurance rates in Canada according to a cross-Canada rate comparison that looked at the 34 vehicles most commonly registered in Saskatchewan and compared rates here to those available in other jurisdictions.

For seven consecutive years customers have enjoyed stable automobile insurance rates without any general increase. As an added benefit in 2007, we once again returned money to customers. Thanks to a surplus in the Auto Fund in 2006, we returned approximately $100 million to over half a million vehicle owners in Saskatchewan through an almost 17% rebate on 2006 insurance premiums.

We also introduced a 7.1% rate reduction with rate rebalancing, meaning about 448,000 Saskatchewan vehicle owners saw a reduction in their premiums.

Even with rate reduction and rebalancing, the Rate Stabilization Reserve was still slightly above the target range, largely due to higher than expected investment earnings.

The reserve is needed for two main reasons: to meet policyholders' obligations for policies sold that expire after year end; and to cushion customers from rate shock in the event of a downturn in financial results. That, in turn, allows us to provide customers with stability in coverage and rates.

Implementing rate initiatives in 2007 helped the Auto Fund make great strides toward its goal of exceeding customer expectations, as evidenced by the results of the Customer Value Index (CVI).

The CVI is our most comprehensive measure of how customers view the Auto Fund. The index tracks what customers think about seven key corporate values, such as having well-trained, experienced staff and listening to the concerns of our customers, and calculates an overall score for SGI out of five. Our score of 3.78 for 2007 was an all-time high.

Excellent claims service is another important element of our customer strategy. Our goal is to have 91% of claims

customers indicate they are satisfied with their experience. Our result on this measure was 90%.

While the results of these surveys are encouraging, we are committed to continue exceeding customer's expectations in the years ahead.

SGI has evolved into a leader in promoting road safety. Customers value that work and so road safety is another key component of our customer strategy.

Last year, SGI introduced a new long-term Traffic Safety Strategy to help save lives, reduce injuries and lower claim costs. The key areas of focus are impaired driving, occupant protection, intersection safety, roadway-based solutions, speed management and other human factors.

The Auto Fund worked towards meeting these objectives in 2007 by introducing a number of innovative initiatives that are highlighted in the next section of this report.

Through these initiatives, SGI continued to make road infrastructure and safety improvements and educate the public on the importance of road safety, which, in turn, helped make safer communities.

As we work towards achieving our vision, SGI recognizes that as a corporate citizen we also have a responsibility to give back to the communities in which we do business.

However, to be successful, it is extremely important that a community investment program is aligned with business objectives. As these objectives change, so too should the execution of any community investment.

With that in mind, the Auto Fund developed a new Corporate Donations Policy in 2007. This policy provides support to community interests directly related to traffic safety-related initiatives, youth excellence and diversity programs.

We measure the success of our community involvement through a corporate image rating, which asks whether customers have a positive or negative image of SGI.

Our business infrastructure

In 2005, SGI initiated a major project aimed at revitalizing the Auto Fund's computer system in order to offer improved service and more options to our customers.

The Auto Fund System Redevelopment Project - which is scheduled for completion in 2010 - is a major part of our business infrastructure strategy and will make it easier for customers to do business with SGI by providing improved and more accessible information. The project is being implemented in phases to manage the change and to bring value to the business during implementation.

As part of the first phase of the project, new computer applications were introduced last year. In April 2007, a new system for issuing commercial vehicle permits was introduced providing enhanced accuracy and greater options when issuing permits.

Building on the momentum of that initial release, a new motor licence issuer management system was introduced in May 2007. The new system stores all information about an issuer in one database, which makes for a faster, more efficient way of doing business with our issuers.

Another huge milestone for the project was SGI's first online transaction, which was completed by a permit customer in November. In the next few years, SGI customers will be able to conduct many different transactions with us online, such as renewing their driver's licence and vehicle registration and insurance.

Another part of our business infrastructure strategy centres around building renewal. Many of SGI's buildings were constructed close to 30 years ago and will soon need major maintenance or renovations.

To address these issues, we have developed a building renewal strategy that details a plan to deal with our aging facilities.

Our employees

Of course our success and growth in 2007 was made possible due to the efforts of SGI employees. The Corporation has the advantage of a number of long-term and experienced employees. Their knowledge and expertise is complemented by the fresh ideas and enthusiasm of a new generation of employees SGI has had the good fortune to add to its ranks.

By taking on new challenges and providing dedicated customer service, SGI employees have helped the company progress towards its vision.

To support continued progress, SGI has developed a corporate strategy that aims to enhance our employees' skill set and ensure our employees continue to be engaged in the work they do.

In recent years, provincial and corporate demographics have created a business need to recruit a diverse workforce. SGI strives to meet goals to help it achieve a truly representative workforce and results in these areas are strong, with all categories nearly meeting or exceeding targets for the year.

An Employee Value Index (EVI) tracks progress on building employee engagement within the corporation. The EVI is calculated twice a year from answers to 11 employee satisfaction questions, helping SGI to evaluate the experience it is providing to employees. EVI results in 2007 exceeded targets set for the year.

In 2007, we received further validation that we're making progress with our employee strategy as SGI was named – for the first time ever - one of Canada's Top 100 Employers and for the second consecutive year was named a Saskatchewan Top 10 Employer.

To get on both lists, SGI submitted a comprehensive application, which was independently judged based on various factors including benefits, working conditions and perks. Over 55,000 employers are assessed and considered for the national list each year.

However, the application was only a small part of the process. The real work in achieving this honour has been going on for years through continuous, innovative and caring development of SGI's workplace environment. Full credit goes to our management and employees, as it is their continued hard work that makes SGI such a great place to have a career.

In 2007, SGI also received the Youth Friendly Workplace designation from the Saskatchewan Chamber of Commerce. We were the first Crown corporation to receive this designation, which was established in late 2006 to recognize companies that provided a youth friendly workplace.

These positive results and awards are very encouraging as they show we're on the right track with employee engagement. However, we must continue building on our accomplishments in this area as all of our corporate goals rest on SGI providing a work environment that allows employees to perform at their highest level.

These are exciting times at SGI as we see the direct results of our hard work. With the interests and needs of customers continuing to be our top priority, I am confident that our outstanding results will continue in 2008 as we strive to offer the best customer-driven automobile insurance plan in the country.

Jon Schubert
President and CEO

Traffic Safety

Traffic safety is a top priority for SGI and its customers.

For over 60 years, SGI has been proactive in the area of road safety programs, education and legislation. We are committed to keeping our customers and our communities safe.

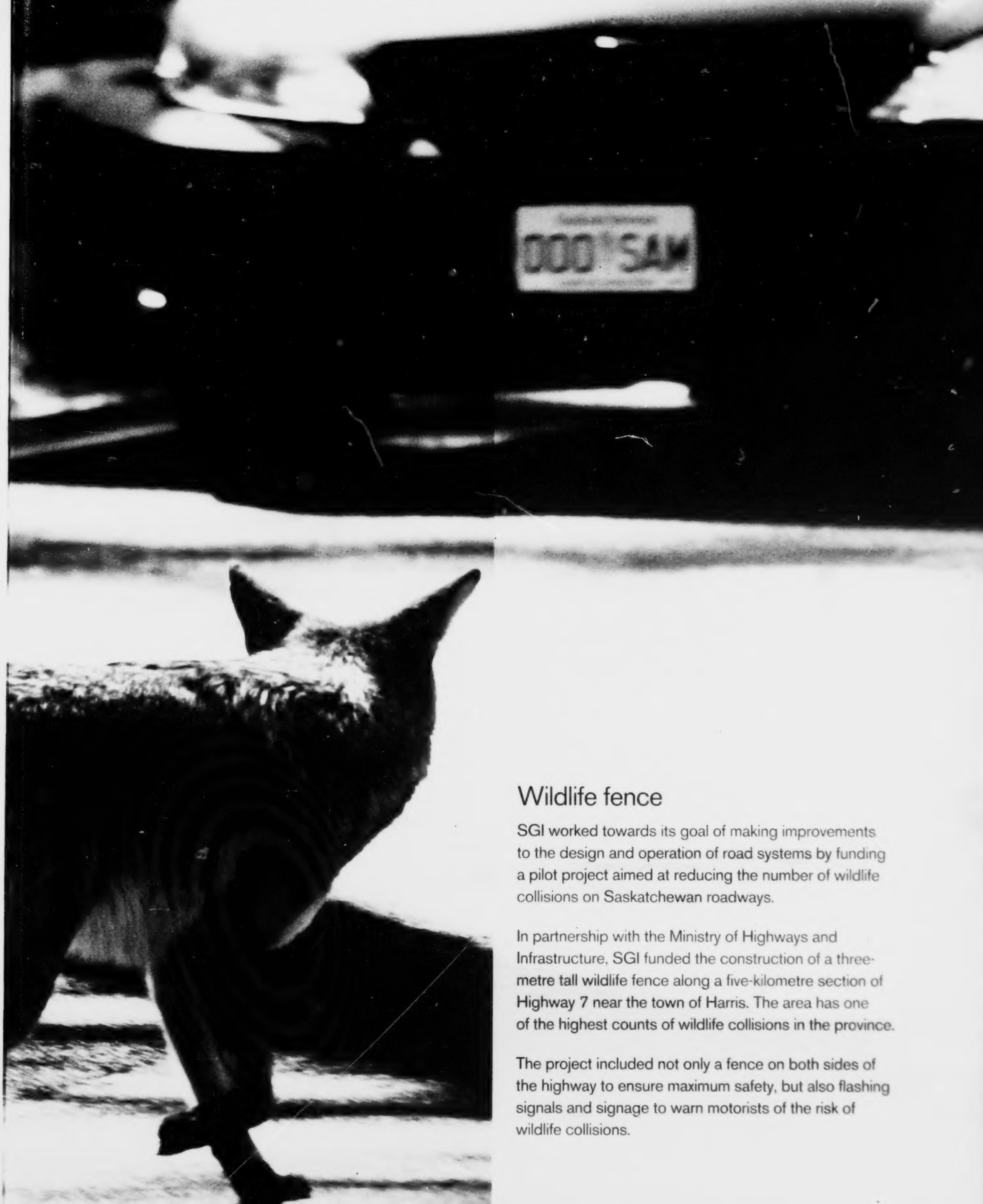
In 2006, we developed a long-term Traffic Safety Strategy to further help in saving lives, reducing injuries and lowering claim costs.

Our traffic safety goals are simple and clear – we want to prevent deaths, serious injuries and property damage due to traffic collisions.

To achieve these goals, the strategy is aimed at:

- reducing impaired driving (alcohol, drugs, fatigue and distraction);
- improving use of occupant protection (seatbelts, child restraints and head restraints);
- improving intersection safety;
- better speed management;
- improvements to design and operation of road systems; and
- addressing human factors such as new drivers, aging drivers, distracted drivers or fatigued drivers and motorcycle and bicycle safety.

In 2007, we worked towards meeting these objectives by developing a number of innovative traffic safety initiatives.



Wildlife fence

SGI worked towards its goal of making improvements to the design and operation of road systems by funding a pilot project aimed at reducing the number of wildlife collisions on Saskatchewan roadways.

In partnership with the Ministry of Highways and Infrastructure, SGI funded the construction of a three-metre tall wildlife fence along a five-kilometre section of Highway 7 near the town of Harris. The area has one of the highest counts of wildlife collisions in the province.

The project included not only a fence on both sides of the highway to ensure maximum safety, but also flashing signals and signage to warn motorists of the risk of wildlife collisions.

Increased funding for sleep apnea clinics

In an effort to reduce the occurrence of driver fatigue on Saskatchewan roadways, SGI provided $200,000 to the Regina Qu'Appelle Health Region for the Sleep Disorders Program at the Regina General Hospital.

This is in addition to the same level of funding SGI provides to the Sleep Disorders Centre at Royal University Hospital in Saskatoon.

Sleeping disorders, such as sleep apnea, are a major cause of drowsy driving which is a very serious traffic safety concern. Driving while fatigued is an impairment and can be as serious and as dangerous as driving after drinking.

The additional funding provided by SGI allowed the health region to increase the number of clients it assessed on a monthly basis – meaning quicker diagnoses and management of obstructive sleep apnea among Saskatchewan drivers.

As a result of its notable contributions to treating sleep apnea, SGI received the Award of Merit from the Lung Association of Saskatchewan for its dedication to the improvement of lung health in Saskatchewan.

Safety contest in First Nation schools

SGI continued to bring its traffic safety messages to the province's Aboriginal people by introducing two safety contests in Saskatchewan First Nations' schools.

Administered by SGI's Traffic Safety Promotion team, the contests were divided into two categories – Kindergarten to Grade 4 and Grades 5 to 8.

The younger students were asked to create a picture relating to road safety. Entries were limited only by the participant's creativity – with seatbelts, bicycle helmets and pedestrian safety being popular themes.

Students in Grades 5 to 8 learned about traffic safety by designing comic strips. SGI got them started by providing a colourful character called LUKIDA the Safety Fox as well as a range of possible traffic safety topics.

The contest was an overwhelming success as SGI received 294 entries from 16 First Nations schools located across Saskatchewan.

First Nations high schools will be targeted in 2008.

Reducing collisions along the Lewvan corridor

As part of its goal to improve intersection safety, SGI partnered with the City of Regina to develop a project designed to reduce the number of collisions along the Lewvan Drive corridor.

The Lewvan Drive corridor is a high-collision location in Regina. Between 1996 and 2005, there were nearly 2,400 collisions, resulting in 900 injuries and seven fatalities.

In a concerted effort to improve road safety, active advanced warning signals were installed in northbound and southbound approaches to the intersection of Lewvan Drive and Dewdney Avenue, along with new signage to inform motorists of what these signals mean.

Additional improvements included increasing signal visibility at a number of intersections in the area by installing backboards with reflective tape. Initial installation began in 2007 and will continue in 2008.

SGI also worked closely with the city to change its traffic signal timings and increased the quality of vehicle detection along the corridor. These changes are designed to increase traffic progression and efficiency, and to keep people safe.

Promoting safe cell phone habits to new drivers

In an effort to address driver distraction on Saskatchewan roadways, SGI joined forces with SaskTel to encourage new drivers to develop safe cell phone habits by offering six months of free SaskTel Mini Mail messaging service to new drivers who are also SaskTel cellular customers.

The goal of the free service was to help minimize distractions on the road by routing incoming calls to voicemail, allowing drivers to check messages and return calls when it's safe to do so.

Driver distraction continues to be a problem among Saskatchewan's young drivers. On average, drivers 15 to 18 years of age are involved in 1,350 collisions per year where driver distraction is a factor, resulting in an average of 504 injuries and two deaths per year. Although young drivers make up only 7% of all licensed drivers in the province, they represent 16% of all distracted drivers.

The partnership enabled SGI to help new drivers avoid distractions while behind the wheel and to keep their attention on the road.

Other traffic safety initiatives

New car seat check services

To support the goal of improving the use of occupant protection, SGI introduced two additional services to help parents ensure their children are travelling safely.

Trained car seat technicians were made available on a year-round basis at SGI claims and salvage centres throughout Saskatchewan. As well, an online car seat technician locator was added to SGI's website, giving parents and caregivers the ability to locate additional technicians in their local community.

Drive Right

In an effort to educate customers about all aspects of our long-term Traffic Safety Strategy, SGI partnered with Global Television, the Regina Leader-Post and the Saskatoon StarPhoenix to bring important traffic safety messages to drivers across the province.

SGI's Drive Right spots promoted traffic safety information on a wide range of topics and were available to the public as both weekly newspaper features and 30-second television segments. They are also available on the SGI website at www.sgi.sk.ca.

Promoting seatbelt use at Agribition

In 2007, SGI brought its message about the importance of seatbelt use to rural audiences.

The Canadian Western Agribition was the perfect venue to educate the public about buckling up. Statistics show that only 88% of people in rural areas choose to wear a seatbelt every time they get into a vehicle, compared to nearly 95% in urban centres.

Through the use of its visual traffic safety tool, the rollover simulator, SGI was able to educate audiences about how seatbelts save lives.

Targeting dangerous intersections

Supporting our goal of improving intersection safety, SGI teamed up with law enforcement in Saskatoon and Prince Albert to reduce collisions at some of the most dangerous intersections in both cities.

Local police services identified locations where collisions most frequently occur. SGI committed funding to produce and post cautionary signs at each of these intersections to raise awareness about safety and warn drivers to use extra caution. Funding was also provided to have prominent enforcement at these intersections.

In Your Community

For over 60 years, SGI has played an active role in communities across Saskatchewan and it is proud to share in the province's rich past and promising future.

As a caring corporate citizen, SGI recognizes its responsibility to give back to the communities where it does business by focusing squarely on Saskatchewan and the needs of customers. Enhancing corporate profile is a corporate goal, which in turn moves SGI closer to achieving its vision.

SGI continued to enhance its profile in 2007 by providing support to community interests directly related to traffic safety-related initiatives, youth excellence and diversity programs.

Safety sponsor at 2007 Juno Awards

Toward the goal of supporting traffic safety-related initiatives, SGI was the official "Safety Sponsor" for various events at the 2007 Juno Awards.

Canada's premiere music celebration came to Saskatchewan for the first time in 2007, and SGI made sure it was part of the festivities. SGI promoted drinking and driving messages at several cabarets for 15,000 fans who came out to party.

Bringing Special Olympics programs to Aboriginal communities

In an effort to support diversity programs in Saskatchewan, SGI partnered with Special Olympics Saskatchewan (SOS) and the Federation of Saskatchewan Indian Nations to develop a strategy that will promote SOS programs in Aboriginal communities across the province.

The goal of the initiative is to improve the quality of life of physically and intellectually challenged Aboriginal people by providing opportunities to participate in sport.

SGI has an ongoing commitment to Aboriginal initiatives and was proud to participate as a presenting sponsor of this worthwhile program.

Canadian Red Cross Babysitting Course

SGI continued to support youth excellence in Saskatchewan by being the presenting sponsor of the Canadian Red Cross Babysitting Course, which is delivered in communities across Saskatchewan.

The eight-hour program gives youth aged 11 and over all the information they need to babysit safely and confidently, including important child-care skills, kid-friendly games, how to handle emergencies and safety tips for children of all ages.

SGI also worked with program facilitators to promote bicycle safety to participants who will then take that knowledge and pass it on to children under their care.

In total, over 800 kids were trained by the Canadian Red Cross and its partners, while an additional 20 Aboriginal babysitting instructors were also trained.

Management's Discussion and Analysis

The following management's discussion and analysis (MD&A) is the responsibility of Saskatchewan Government Insurance (SGI) as the administrator of the Saskatchewan Auto Fund and reflects events known to SGI to March 13, 2008. The Board of Directors approved this MD&A at its meeting on March 13, 2008.

Overview

The MD&A is structured to provide users of the Saskatchewan Auto Fund (denoted as the Auto Fund or the Fund) financial statements with insight into the Fund and the environment in which it operates. This section outlines strategies and the capability to execute the strategies, key performance drivers, 2007 results, liquidity and capital, critical accounting estimates, upcoming changes in announced accounting policies, risk management and the outlook for 2008. Information contained in the MD&A should be read in conjunction with the financial statements and notes to the financial statements, along with other sections in this annual report. All dollar amounts are in Canadian dollars.

The following table of contents provides a quick reference to the main sections within this MD&A.

The Saskatchewan Auto Fund

In 1944, the Government of Saskatchewan passed *The Saskatchewan Government Insurance Act* creating the provincial Crown corporation that is known today as SGI. SGI was created to rectify problems in the Saskatchewan insurance industry. At that point in time, poor economic conditions had driven many insurers out of the province. Less than 10% of Saskatchewan licensed vehicles carried any insurance and there was a need for a compensation plan for persons injured in collisions.

In 1946, the government established basic compulsory automobile coverage for Saskatchewan residents under *The Automobile Accident Insurance Act* (AAIA). The Saskatchewan Auto Fund was established effective January 1, 1984 by an amendment to the AAIA, which separated the property and casualty insurance operations of SGI and the compulsory Auto Fund. The administrator of the Saskatchewan Auto Fund is SGI. The role of SGI, as the administrator, is to oversee the operations of the Auto Fund for the Province of Saskatchewan based on the legislative requirements contained in the AAIA.

The Auto Fund, as the compulsory automobile insurance program for Saskatchewan residents, provides vehicle registrations, driver's licences, basic minimum liability insurance required to operate a vehicle and coverage for damage to or loss of an insured's vehicle, subject to a deductible. Liability insurance coverage provides for a specific amount to cover property damage and/or injuries caused to another person. The compulsory insurance also includes injury coverage that provides an option to choose between No Fault Coverage and Tort Coverage. This basic insurance package allows a currently registered vehicle to operate legally anywhere in Canada or the United States of America.

The Auto Fund is governed by legislation contained in the AAIA, *The Traffic Safety Act*, *The All Terrain Vehicles Act* and *The Snowmobile Act* (the Acts) along with related regulations created by these Acts. The Auto Fund is also subject to legislation contained in *The Crown Corporations Act, 1993* and Part IX of The Insurance Companies Act (Canada) regarding the investments of the Auto Fund. It is subject to provincial privacy and access to information legislation contained in *The Freedom of Information and Protection of Privacy Act* and *The Health Information Protection Act*. It also has administrative, enforcement and other related duties under other provincial acts and regulations and under the federal Criminal Code.

The Auto Fund does not receive money from, nor pay dividends to, the Province of Saskatchewan, SGI or Crown Investments Corporation of Saskatchewan (CIC). CIC is SGI's parent corporation. The Auto Fund is operated on a self-sustaining basis viewed over a long-term timeframe. Any annual financial excess or deficiencies of the Auto Fund are recorded in its Rate Stabilization Reserve (RSR). The RSR is held on behalf of Saskatchewan's motoring public and cannot be used for any other purpose by the government or the administrator.

Financial results for the Auto Fund are not included in the consolidated financial statements of SGI nor CIC's consolidated financial statements, as the Auto Fund is a fund of the Province of Saskatchewan. Financial results for the Auto Fund are included in the Province of Saskatchewan's summary financial statements using the modified equity accounting method as permitted by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

The Auto Fund at December 31, 2007 had 420 motor licence issuers[1] in 316 communities across Saskatchewan. It also operates 21 claims centres and five salvage centres in 13 communities across the province along with seven branch licence issuing offices. The Auto Fund business operation is restricted to the Province of Saskatchewan and is operated from SGI's head office located in Regina, Saskatchewan.

The Auto Fund's quarterly and annual reports are available on SGI's website at www.sgi.sk.ca. Navigate to About SGI and then click on Quarterly Reports or Annual Reports.

[1] This and other terms are defined in the Glossary of Terms beginning on page 69.

The Environment the Auto Fund Operates In

The Auto Fund's customers are Saskatchewan residents as it provides all residents with automobile injury coverage with an option to choose between a no-fault or tort product. As the sole provider of vehicle and driver's licensing in Saskatchewan, the Auto Fund operates based on legislative powers granted in the Acts. The Auto Fund is required to submit vehicle insurance rate changes to the Saskatchewan Rate Review Panel (SRRP) whose mandate is to evaluate the rate change and to provide an opinion on the fairness and reasonableness of the requested change. SRRP does not have the authority to implement any of its recommendations; the final decision to approve, change or reject rate changes is at the discretion of the provincial government.

The Auto Fund provides vehicle registrations, driver's licences and related services to approximately 689,000 drivers and approximately 938,000 vehicles and trailers in Saskatchewan. Business partners range from independent motor licence issuers, autobody shops and law enforcement agencies, to health care providers. These business partners are involved in different aspects of the operations of the Auto Fund from licensing, road safety and repair of damaged vehicles, to provision of medical care and rehabilitative services to those injured in motor vehicle collisions.

The Auto Fund's philosophy is that all drivers are treated equally unless their driving record shows they are a greater risk for causing a collision. It does not use a driver's age, gender or where they live to determine a vehicle insurance premium or the fee for a driver's licence. It has successfully maintained this philosophy while offering Saskatchewan customers low rates, proving its merit.

While it has been successful at offering residents of Saskatchewan low rates, the Auto Fund does face challenges. Claim costs represented over 83% of the Auto Fund's costs in 2007. Over the last 10 years, damage claim costs have increased at an average annual rate of 5.3%, while personal injury costs have grown at approximately 2.7% annually.

New and advanced technology means vehicles are more expensive to repair. New vehicles also cost more to repair than older vehicles, and parts prices along with labour rates continue to rise. As a result, claim costs continue to climb as repair costs outpace inflation.

Injury costs also rise on a yearly basis as injury benefits under No Fault Coverage are indexed to inflation each year. Tort and out-of-province liability claims, which are generally based on court awards, increase at a rate significantly higher than inflation.

The Auto Fund has not implemented a general rate increase since 2000, and in fact reduced rates for auto insurance premiums by an average 7.1% effective July 1, 2007. In addition, the Auto Fund returned just under $100 million to customers in the form of a rebate in March 2007, and returned approximately $44 million in rebates in 2006.

The Auto Fund also offers Safe Driver Recognition (SDR) and Business Recognition programs. These programs have been in place since 2002 and 2004 respectively. The SDR program places all drivers on a safety rating scale based on their driving history. The Business Recognition program rewards businesses that maintain good loss experience with discounts on their vehicle insurance. The initial maximum discount of 7% under the SDR program has steadily increased and is currently at 20%. The maximum discount available in the Business Recognition program is 10%. The cost to the Auto Fund in 2007 in terms of lower premium revenue was $74,388,000 (2006 - $73,089,000).

Strategic Direction

The Auto Fund's vision and values are as follows:

Vision

We will be the best customer-driven and affordable automobile insurance plan in Canada.

Values

Integrity Conducting ourselves with honesty, trust and fairness

Caring Acting with empathy, courtesy and respect

Innovation Implementing creative solutions to achieve our vision

Corporate Strategies

To guide the Auto Fund toward its Vision, the main areas of strategic focus during 2007 related to:

Our Customer;

Our People; and,

Business Infrastructure.

Within these three areas, specific strategic initiatives and key targets measure performance towards being a customer-driven insurance program that anticipates expectations of its customers while maintaining affordability. The Auto Fund uses a balanced scorecard approach to monitor performance and results. The objective of a balanced scorecard is to provide a balanced evaluation of key operational and financial results, activities and achievements with both a short and long-term focus. The following discusses key initiatives in each area of strategic focus as well as related key performance indicators from the balanced scorecard.

Customer

The Auto Fund's success is measured against a goal of being the best customer-driven and affordable automobile insurance plan in Canada. It has developed key goals to achieve this: delivering the lowest average private vehicle rates in Canada, anticipating and exceeding customer expectations, operating a business that is valued by its customers and working to reduce motor vehicle crashes and resulting fatalities and injuries.

A key operating principle for the Auto Fund is ensuring consistency and stability in rates so that customers are not subject to ongoing price fluctuations or large rate increases. An adequate balance in the Rate Stabilization Reserve (RSR) gives the Auto Fund a financial resource to draw on when adverse events increase the cost of claims, thereby protecting customers against unpredictable premiums for their auto insurance. The Auto Fund uses a common property and casualty industry measurement called the Minimum Capital Test (MCT) to monitor the adequacy of the RSR.

One of the key strategies to help the Auto Fund become the best customer-driven and affordable automobile insurance plan in Canada pertains to road safety. Customers value the Auto Fund for its role in promoting road safety in the province. The Auto Fund is always looking at new and innovative ways to improve road safety. Over the years, SGI has evolved into a national leader in the area of road-safety programs, education and legislation. During 2007, a long-term

traffic safety strategy was implemented to further help in saving lives, reducing injuries and lowering claim costs. This strategy focuses on six key areas - impaired driving, occupant protection, intersection safety, speed management, roadway-based solutions and human factors.

The following table summarizes the key performance indicators in the balanced scorecard to monitor the above initiatives:

Measure	2007 Target	2007 Results	2008 Target
Cross-Canada rate comparison	Lowest average private vehicle rates in Canada	● Saskatchewan has the lowest private vehicle rates in Canada	Lowest average private vehicle rates in Canada
Customer Value Index Survey (out of 5)	3.65	● 3.78	3.70
Claims customer service survey	91% satisfaction rating	○ 90% satisfaction rating	91% satisfaction rating
Corporate image rating	Maintain a three-year rolling average of 70%	● 79%	Maintain a three-year rolling average of 75%
Maintain an adequate RSR	MCT target between 100% to 125%	○ 132%	MCT target between 100% to 125%
By 2010 reduce the number of fatalities by 30%, injuries by 20% and property-damage-only collisions by 10%	Implement 2007 approved elements of long-term traffic safety strategy	● Implemented approved elements	By 2010 Fatalities: 158 to 110 Injuries: 7,500 to 6,000 PDOs: 37,500 to 33,750

Legend: ● achieved ○ did not achieve

Cross-Canada rate comparison

SGI's cross-Canada rate comparison considers Saskatchewan's 34 most popular vehicles and compares rates to those of public insurers in British Columbia, Manitoba and Quebec. For private insurance provinces, quotes are obtained from Compu-Quote Inc., an independent rate quotation service that collects information directly from private insurers across Canada. The rate comparison is subject to audit by an independent accounting firm.

In 2007, the rate comparison concluded that Auto Fund customers benefited from the lowest average private vehicle insurance rates in Canada. The Auto Fund has not increased premium rates for seven years and, in fact, introduced an average 7.1% rate reduction effective July 1, 2007. For 2008, the Auto Fund's target is again to have the lowest average private vehicle rates in Canada.

Customer value index

The customer value index (CVI) is a comprehensive measure for tracking customer satisfaction. The CVI tracks seven key areas of importance: overall management; listening to the concerns of customers; having well-trained, experienced staff; educating and informing the public; behaving in an ethical, responsible manner; maintaining low rates relative to other parts of Canada; and, providing high standards of customer service. Based on the results of regular customer surveys, the CVI takes these seven areas of importance and calculates an overall score for the Auto Fund out of five. The Auto Fund exceeded its goal in 2007, achieving 3.78 out of five, compared to its target of 3.65. The target for 2008 is 3.70 out of five.

Claims customer survey

The Corporation conducts semi-annual surveys with claims customers to ensure it is meeting their needs. The target is a 91% approval rating from claims customers. The latest survey results indicate a 90% satisfaction level, a 1% improvement from the previous year. While the result is strong, it is still slightly below the target of 91%. The target for 2008 remains a 91% satisfaction level and the Corporation is working hard to achieve it.

Corporate image rating

The corporate image rating measures overall customer perceptions by asking a representative sample whether they have a positive or negative image of the Auto Fund. In 2007, the Auto Fund achieved a corporate image rating of 79%, exceeding the target of a three-year rolling average of 70%. The target for 2008 is maintaining a three-year rolling average of 75%.

Maintain an adequate RSR

The Auto Fund establishes its target capital level based on a property and casualty industry measurement of capital adequacy called the Minimum Capital Test (MCT). The Auto Fund's target range for the MCT is 100% to 125%, which equated to approximately $84,904,000 to $128,973,000 at December 31, 2007. The actual RSR balance at December 31, 2007 was $140,975,000, which was slightly above the target range.

The Auto Fund continues to have a target range for 2008 for the MCT of 100% to 125%.

Reducing fatalities and serious injuries

Our traffic safety goals are simple and clear - prevent traffic deaths and prevent serious injuries due to traffic collisions. However, fewer collisions also mean lower claim costs, so work in this area also supports the goal of maintaining low rates. Prior to 2007, the Auto Fund's goal was to reduce the number of traffic deaths and serious injuries due to traffic collisions by 20% each compared to the average number of traffic deaths and serious injuries in the period 1996 to 2001. For 2007, the target was changed to reflect the new long-term traffic safety strategy.

The long-term traffic safety strategy has six key areas of focus: reducing impaired driving; improving use of occupant protection; improving intersection safety; better speed management; implementing additional roadway-based solutions; and, addressing human factors such as new drivers, aging drivers and distracted drivers.

The target for 2007 was to implement approved elements of the strategy, and numerous initiatives were undertaken to meet this target. The target for 2008 is to continue to implement this strategy so, by 2010, the number of traffic deaths has declined by 30%, injuries due to traffic collisions have been reduced by 20% and property-damage-only collisions are 10% lower when compared to the 1996-2001 averages.

People

The Auto Fund's people strategies for 2007 focused on two areas: growing its people talent and building employee engagement.

Key performance indicators in the balanced scorecard to monitor the above initiatives are:

Measure	2007 Target	2007 Results	2008 Target
Grow people talent - new hires who are designated group members	25%	31.5%	25%
Employee value index	65.8%	73.7%	71.0%

Legend: achieved did not achieve

Grow people talent

Provincial and corporate demographics demonstrate the need to recruit young people and Aboriginal people. The Auto Fund strives to meet additional goals to help it achieve a truly representative workforce. The Auto Fund has established targets for all designated groups, including women in under-represented categories, Aboriginal, people with disabilities, visible minorities as well as youth. Results in all areas in 2007 were good, exceeding targets for most of the designated groups. The Corporation also targeted 25% of new hires to be from designated groups and exceeded the target with 31.5%. The Auto Fund continues to target these areas in 2008.

Employee engagement

The Auto Fund recognizes that the key to achieving its goals is employing the right people and giving them a good environment to work in. Therefore, it puts emphasis on building employee engagement within the Corporation. Results from the Auto Fund's 2005 employee survey were used to calculate a benchmark score for employee engagement of 64.8%. Beginning in December 2006, the Corporation began measuring employee engagement against the benchmark through an employee value index survey. The result for 2007 was an employee value index score of 73.7%. The goal for 2008 is a score of 71.0%.

Business Infrastructure

A common pillar supporting many of the Auto Fund's strategies and initiatives is business infrastructure. Computer systems must be available in order to operate the business. If these systems were unavailable for a significant amount of time, business would suffer. To reduce the amount of potential down time, the Auto Fund, through SGI, has an agreement with a related party that provides alternative computing services if systems are unavailable for a significant amount of time.

The key performance indicators in our balanced scorecard to monitor the above initiative are:

Measure	2007 Target	2007 Results	2008 Target
Availability of business systems	99.5% of designated hours of operation	99.7% of designated hours of operation	99.5% of designated hours of operation
Redevelopment project implementation versus plan	On time and on budget	On time and on budget	On time, on budget, delivers customer benefits

Legend: achieved did not achieve

Availability of business systems

This measures the Auto Fund's success in having its computer business systems available for use by staff and motor licence issuers during specific hours of the day and for specific days of the week. For 2007 the target was exceeded and for 2008 the target is the same as 2007. This is reflective of the importance to operations of maintaining the availability of computer systems.

Auto Fund redevelopment project

The Auto Fund redevelopment project was initiated in 2005 to update the infrastructure in place to help improve operations and deliver enhanced products and services to customers. The five-year, $35 million project will result in a system that is completely integrated, provides real time processing and facilitates Internet transactions. The project remained on time and on budget at the end of 2007 and will be completed by the end of 2010.

Capability to Execute Strategies

Fundamental to the capability to execute strategies, manage key performance drivers and deliver results are employees, motor licence issuers, technology and systems, and capital and liquidity. They are discussed in greater detail below:

Employees

Auto Fund employees are experienced and knowledgeable about the Saskatchewan automobile insurance market. Many employees have been with the Saskatchewan Auto Fund for a long time, on average 16 years; the turnover rate for the last five years has averaged 5%. Due to this long tenure and low turnover, employees have significant expertise in core areas of the Auto Fund including licensing and registration, driver and vehicle safety services, claims handling, as well as within the support areas.

SGI, as the administrator of the Auto Fund, is projecting a significant level of retirements in the near future as a large portion of its workforce reaches retirement age. In fact, over 27% of employees are expected to retire or be eligible for retirement by 2015. The challenge is to recruit and retain the best people to ensure the longevity, growth and maintenance of operations. SGI has developed a workforce-planning model that includes Aboriginal employment, youth employment, management development and expanded performance management strategies. This model will assist in transitioning expertise as retirements occur.

SGI and Saskatchewan Insurance, Office and Professional Employees' Union, Local 397 (COPE 397) signed a three-year Collective Bargaining Agreement (CBA), running from January 1, 2007 to December 31, 2009, on June 12, 2007. The CBA covers the majority of the non-management staff employed by SGI. SGI has not had a work stoppage since 1948 and it will continue to work with COPE 397 to ensure that this record continues into the future.

Motor Licence Issuers

The Auto Fund provides accessibility for its customers by distributing products through a network of 420 independent motor licence issuers in 316 communities across Saskatchewan and seven branch offices throughout the province. Motor licence issuers' interests are represented by the Insurance Brokers' Association of Saskatchewan (IBAS). The relationship between the Auto Fund and motor licence issuers is governed by an issuer accord. The accord is intended to enhance the working relationship resulting in improved service to customers. Included in the accord are 15 agreed upon items, ranging from fostering better communication between both groups, recognizing the value of each other's roles to provide service to Saskatchewan people, along with teaming-up on traffic safety programs.

Technology and Systems

The Auto Fund relies on its technology and information system to deliver products and services to the motoring public. The current system is antiquated and it is becoming increasingly difficult to make changes to meet growing business demands. The Auto Fund has a major ongoing project to redevelop the Auto Fund information system. The new system will address the antiquity of the current system, offer more choices for customers, provide better and more accessible information, allow the Auto Fund to respond more quickly to its customers and better position the Auto Fund for future demands. The cost of the project is not to exceed $35 million and will be completed by the end of 2010.

Capital and Liquidity

As the Auto Fund belongs to the Province of Saskatchewan, its legislation restricts how it can raise capital and mandates the benefits it is to provide to policyholders. The Auto Fund does not receive money from the province nor from SGI, the administrator of the Auto Fund, and it does not pay dividends to the province or its administrator. The Auto Fund cannot go to public capital markets to issue debt or common shares. Since these traditional avenues for capital are not available to sustain the Auto Fund, it uses premiums and fees from its operations, along with income generated from its investment portfolio, to fund future operations. If premiums, fees and investment income are not sufficient to sustain operations, it must increase rates. The Saskatchewan Rate Review Panel (SRRP) reviews rate changes, and then passes on its recommendations to the provincial government, which has the final authority to approve, modify or reject rate changes.

A key operating principle for the Auto Fund is ensuring consistency and stability in rates so that customers are not subject to ongoing price fluctuations or large rate increases. An adequate balance in the Rate Stabilization Reserve (RSR) gives the Auto Fund a financial resource to draw on when adverse events increase the cost of claims, thereby protecting customers against unpredictable premiums for their auto insurance. The Auto Fund uses a common industry measurement called the Minimum Capital Test (MCT) to establish a target for the RSR. The MCT is a risk-based capital adequacy formula that assesses risks to assets, policy liabilities and off-balance sheet exposures by applying various factors to determine a ratio of capital available over capital required. The target is a range of 100% - 125%, which equated to approximately $84,904,000 to $128,973,000 at December 31, 2007. The balance in the RSR at December 31, 2007 was $140,975,000 which was slightly above its target range.

At December 31, 2006 the RSR was above its targeted MCT range. As a result, the Auto Fund announced a 16.8% rebate to customers that was paid in March 2007 returning approximately $100 million to 2006 policyholders. Also, the Auto Fund implemented a 7.1% rate reduction and rebalancing in July 2007. It was anticipated that these two initiatives would bring the RSR balance to within its targeted MCT range, but strong investment earnings in 2007 resulted in the RSR being above its target.

2007 Financial Results

Quarterly Financial Highlights

The following table highlights quarter over quarter results of the Auto Fund:

($ in 000's)	2007					2006				
	Q4	Q3	Q2	Q1	**Year**	Q4	Q3	Q2	Q1	Year
Net premiums earned	$136,710	$140,208	$145,277	$134,892	**$557,087**	$139,248	$142,021	$135,071	$125,864	**$542,204**
Claims incurred	173,002	114,485	116,191	128,539	**532,217**	123,987	99,121	105,705	120,259	**449,072**
Surplus/(deficit)	(30,763)	19,898	23,473	(79,913)	**(67,305)**	20,397	47,563	24,288	(35,207)	**57,041**
Cash flow from (used in) operations	13,741	3,620	51,363	(110,543)	**(41,819)**	23,700	28,055	12,574	(18,394)	**45,935**
Investments	1,126,735	1,096,741	1,073,868	1,135,956		1,072,454	1,054,444	986,392	973,821	
Provision for unpaid claims	824,086	777,887	776,701	773,670		763,554	755,984	737,092	737,397	
Rate Stabilization Reserve	140,975	170,938	150,311	126,061		205,601	184,862	153,016	128,425	

The following points are intended to assist the reader in analyzing trends in the quarterly financial highlights for 2007:

- Premium earnings generally rise in the spring and summer months, largely a factor of increased premiums related to seasonal vehicles. In the last two quarters of 2007, net premiums earned declined from the prior year as a result of the 7.1% rate reduction implemented July 1, 2007.

- Except for the first quarter, the Auto Fund generated positive cash flows from operations each quarter in both 2007 and 2006. Cash is typically low in the first quarter as annual premium taxes are paid to the province in March. Premium taxes are based on premiums written and were $27,970,000 in 2007. In addition, rebates to policyholders were paid during the first quarters of 2007 and 2006 of $99,308,000 and $44,097,000 respectively. Cash flow from operations for the third quarter of 2007 was low compared to 2006 as a result of the $26,906,000 mid-term refund paid in July.

- Claims incurred for the fourth quarter of 2007 of $173,002,000 were the highest recorded in the last three years. Of note, claims incurred were higher every quarter in 2007 compared to 2006, representative of a higher number of claims related to an increase in summer storms and poor winter driving conditions in 2007.

- Effective January 1, 2007, the carrying value of investments changed, such that most investments are now carried at fair value. This is primarily responsible for the increase in the carrying value of investments throughout 2007 compared to 2006. This change in accounting policy and the impacts are discussed further within this MD&A and within the notes to the audited financial statements.

For the three months ended December 31, 2007

The Auto Fund prepares public quarterly financial reports for the first three quarters of each year. These reports are available on SGI's website at www.sgi.sk.ca. Click on About SGI and then on Quarterly Reports. The following analyzes the fourth quarter of 2007:

The Auto Fund recorded a fourth quarter deficit of $30,763,000 compared to a surplus of $20,397,000 in the fourth quarter of 2006. The difference is a result of claims incurred being higher in the fourth quarter of 2007. This is primarily a result of a lower prior year redundancy in the fourth quarter of 2007 compared to 2006.

Net premiums earned for the quarter of $136,710,000 are $2,538,000 lower than the fourth quarter in 2006 ($139,248,000), reflecting the 7.1% rate reduction which became effective July 1, 2007. While premium earnings are lower than 2006, the impact of the rate reduction is partially offset by the increase in the number of vehicles insured in 2007.

Investment earnings of $28,343,000 are $4,369,000 higher than earnings of $23,974,000 in the fourth quarter of 2006. The improvement in investment earnings is primarily due to gains on the sale of investments, which totalled $13,208,000 for the quarter (2006 - $10,077,000) and strong pooled fund revenue of $8,313,000 (2006 - $3,593,000), primarily from the non-North American pooled equity fund.

For the year ended December 31, 2007
Statement of Operations

Overview

The Auto Fund generated a surplus of $32,003,000 before the rebate paid to policyholders, compared to a $101,138,000 surplus in 2006. The reduction in surplus was primarily attributable to higher claim costs in 2007. Current accident year claims were $47,321,000 higher than 2006 as a result of poor winter driving conditions and increased summer storm costs. As well, 2006 claim costs were low as a result of recording a $48,965,000 reduction to prior year injury claim reserves, while in 2007 the redundancy was only $13,637,000.

Despite experiencing historically high claim costs during 2007, the Auto Fund ended the year with a strong Rate Stabilization Reserve of $140,975,000 (2006 - $205,601,000). At the same time, customers benefited from customer-focused initiatives during the year including:

- a 16.8% rebate, amounting to $99,308,000 (2006 - 8%, $44,097,000) that was returned to customers; and,
- a 7.1% rate reduction, including rate rebalancing and an associated $26,906,000 mid-term refund, that was implemented effective July 1, 2007.

To enhance fairness in rating, the rate reduction included a rebalancing of rates, as some customers were paying too much for their vehicle insurance and others were paying too little. While rebalancing is important to ensure fairness, increases and decreases were capped to avoid 'rate shock,' which is important to being a customer-driven company.

The rate reduction also included a $26,906,000 mid-term refund. The refund applied to customers whose rates decreased on July 1 but who had already insured their vehicle beyond that date. The refunds were for the difference between the old rate and new rate, for the period from July 1 to the expiry of the registration term. Customers whose rates went down and who paid for their auto insurance monthly saw new, lower monthly payments starting in July. Any of the Auto Fund's customers whose rates increased did not have to pay the new rate until their next policy renewal.

Premiums written

Net premiums written for 2007 totalled $559,246,000 (2006 - $560,432,000), representing a slight decrease of $1,186,000 from 2006 as a result of the 7.1% rate reduction implemented July 1, 2007. The decrease was offset by premium increases attributable to a newer vehicle population and an increase in the number of vehicles insured in 2007. Vehicle insured years at December 31, 2007 were 791,165 compared to 765,989 at December 31, 2006.

The Safe Driver Recognition and Business Recognition programs continue to return more dollars to Auto Fund customers each year. In 2007, these programs returned $74,388,000 to customers through safe driving discounts, compared to $73,089,000 in 2006. Expressed as a percentage of vehicle premiums, this equates to an average discount of 11.9%

for 2007, compared to 11.7% in 2006. The discounts available under each program did not change in 2007, with the maximum discounts being 20% for the Safe Driver Recognition program and 10% for the Business Recognition program.

Claims incurred

Claims incurred in 2007 were $532,217,000, $83,145,000, or 18.5% higher than 2006. The following table details claim costs by categories:

	2007	2006	Change
Damage claims (current year)	$ 344,580	$ 301,358	$ 43,222
Injury claims (current year)	179,077	174,978	4,099
Pre-1995 injury claims	(735)	(2,070)	1,335
Injury - prior year redundancy	(13,637)	(48,965)	35,328
Damage - prior year deficiency	5,249	5,926	(677)
Indexing of prior year injury claims	17,683	17,845	(162)
Total claims incurred	$ 532,217	$ 449,072	$ 83,145

Current year claim costs

Current year damage claim costs increased by $43,222,000 or 14.3%. While the average cost per claim was similar to the prior year, the volume of damage claims increased by 12.7%. The growth in the number of claims reported in 2007 is related to an increase in summer hail storms and poor winter driving conditions in 2007.

While damage claims increased significantly during the year, the Auto Fund experienced only a 2.3% increase in current year injury claim costs, a result of the annual indexing of no fault benefits.

Development on prior year claims estimates

With the assistance of its actuary, the Auto Fund makes provisions for future payments on existing claims and an estimate for claims that have occurred but have not yet been reported. At the end of each year, the actuary recalculates the estimate of the ultimate costs for prior years (along with an estimate for the current year). If the actuary reduces the estimate for prior years, a "redundancy" exists, resulting in a reduction in claim costs for the year. If the reverse is true and the actuary increases the estimate for prior years, a "deficiency" exists, resulting in an increase in claim costs for the year. During 2007, the Auto Fund reduced its estimate for prior year injury claims by $13,637,000 (2006 - $48,965,000) and increased its reserves for damage claims by $5,249,000 (2006 - $5,926,000). The 2007 deficiencies recorded represented approximately 1.2% of the provision estimate at December 31, 2006 of $763,554,000.

In 2006, there was a significant reduction in injury claims reserves recorded of $48,965,000. When the no fault injury program was implemented in 1995, the actuary had limited information to rely on in determining the claim costs and therefore it was prudent to estimate the claims conservatively. In 2006, conservatism built into the injury reserves was released, as there was 10+ years of experience in the no fault system to support lower injury claim reserves.

With over 10 years of experience with the no fault system, the Auto Fund is in a better position to estimate the cost of injury claims, as can be seen by the relatively small adjustment in 2007. However, factors impacting future costs such as inflation, re-occurrence rates, medical innovations and rehabilitation programs are difficult to anticipate. While the Auto Fund's objective is to keep the estimate as accurate as possible with minimal changes to prior year claim estimates, given the nature of this program, changes will inevitably occur in the future.

Recent events

In 2004, the Government of Alberta introduced auto insurance reforms to make insurance more affordable and accessible for all Albertans. The reforms included numerous initiatives such as a treatment process designed to provide injured individuals prompt diagnosis and treatment and minor injury regulation that capped awards for pain and suffering for minor injuries at $4,000.

On February 8, 2008, a decision was rendered by the Court of Queen's Bench in Alberta, which resulted in the lifting of the $4,000 cap on pain and suffering awards for minor injuries in the province. The decision has been appealed by the Alberta government but uncertainty remains over the ultimate outcome of the court's decision. The December 31, 2007 financial statements include a provision for this item. The Auto Fund is impacted by this decision due to claims incurred in Alberta by Auto Fund policyholders. The Auto Fund continues to assess the potential impact on claim costs and as more information is available, will react appropriately. If the changing situation results in a revision to the reserves for unpaid claims, any changes would be recorded in the year of revision.

Expenses excluding claims incurred

Expenses excluding claims incurred were $104,985,000 (2006 - $90,892,000) for the year, $14,093,000 higher than 2006.

Issuer fees of $27,161,000 increased by $4,225,000 due to a combination of negotiated rate increases for issuer remuneration, and higher transaction counts in 2007.

Administrative expenses of $36,180,000 were $6,235,000 higher than 2006, primarily due to growth in staffing and benefit costs, and costs related to the redevelopment of the Auto Fund information system. Staffing and benefit costs are governed by the Collective Bargaining Agreement, which contained general salary and benefit increases in 2007. Also, the first phase of the new Auto Fund information system was implemented during 2007 resulting in $2,679,000 in costs. While $35 million was appropriated from the RSR for this project, as expenditures are incurred they are required to be recorded in the Statement of Operations.

Traffic safety program spending totalled $13,674,000, representing a traffic safety spending ratio of 2.5% of net premiums earned. This was an increase of $2,884,000 from 2006 traffic spending of $10,790,000, which had a ratio of 2.0%.

Investment earnings

As the Auto Fund operates on a self-sustaining basis over time, investment earnings are used to keep rates stable for vehicle owners. In 2007, investment earnings were $91,349,000 and represented 14% of total revenues, compared to $78,669,000, representing 12% of total revenues in 2006. The cost-based return on the portfolio was 8.7%, compared to 7.5% for 2006. The cost-based return represents the total investment earnings divided by the average amortized cost base of the investment portfolio. The components of investment earnings are disclosed in Note 10 to the financial statements, of which the major items are interest, dividends and net realized investment gains. The following charts show the breakdown of investment earnings between interest and dividends and net realized gains, as well as the cost-based returns over the last five years:

While gains on the sale of investments have been increasing each year, they are dependent on investment market conditions, trading activity of the investment manager and initiatives of the Auto Fund. In 2007, the significant gains realized were a result of rebalancing the portfolio in the first quarter to fund a portion of the cash required for the $99,308,000 rebate, along with normal portfolio trading activity by the investment manager. The realized gains in the year were primarily from the sales of common shares and units in the non-North American pooled equity fund.

Interest and dividends have been increasing over the past five years as a result of growth in the size of the investment portfolio. In addition, the Auto Fund has experienced higher interest rates on fixed income securities since 2005.

In 2007, the market-based return from the portfolio was $55,286,000, a decrease of $40,706,000 from $95,992,000 in 2006. The market-based return consists of investment earnings recorded in the statements, plus or minus the change in the investment portfolio's market value during the year from the statement of comprehensive income. Overall, the market-based return from investments was 5.2% for the year ended December 31, 2007, compared to 8.7% in 2006. The decrease in 2007 was a result of lower market-based returns for all asset classes, excluding short-term investments and real estate.

The Auto Fund's investment portfolio is managed using the market-based return. The Auto Fund's primary objective is to achieve a market-based rate of return superior to the rate of return earned on a benchmark portfolio. The benchmark portfolio return is based on capital market index returns weighted to be consistent with the Auto Fund's asset mix. The rate of return is measured over a four-year cycle. This longer-term measure has greater relevance and lower volatility than a one-year measurement. Over the period 2004 to 2007, the portfolio averaged an annual return of 7.7%, exceeding the benchmark portfolio annual return of 6.8%.

Annual Market-based Returns vs. Benchmark Returns

In 2007, the Auto Fund's market-based return of 5.2%, exceeded its benchmark return by 1.3%. This was the lowest market-based annual return over the last five years, due to lower capital market performance overall in 2007.

Other income

Other income consists of fees charged to insureds for utilizing the AutoPay and Short-Term payment option programs, as well as net income from the salvage operation. In 2007, fees earned related to the payment option plans totalled $15,118,000, $521,000 or 3.6% higher than 2006 due to higher utilization of the AutoPay program. Salvage income of $5,651,000 (2006 - $5,632,000) is consistent with 2006.

Statement of Operations - Actual versus Budget

The Auto Fund prepares an annual budget each fall for the upcoming fiscal year. The plan is developed using long-term averages combined with known and expected information for the upcoming year.

The Auto Fund's 2007 budget, developed in the fall of 2006, anticipated a surplus of $42,077,000, before the $99,308,000 rebate to policyholders. The actual 2007 surplus was $32,003,000, $10,074,000 lower than budgeted. The most significant factors were lower than anticipated premiums earned and higher than anticipated claim costs offset by higher than anticipated investment earnings.

Premiums written of $559,246,000 in 2007 were $5,313,000 lower than budget, while premiums earned of $557,087,000 were $9,122,000 lower than budgeted. While the budget anticipated a rate reduction, the decision to issue a mid-term refund to customers for the unexpired portion of their insurance premiums was not included in the budget. The mid-term refund reduced premiums written by approximately $26,906,000, and premiums earned by $19,100,000. This was offset by higher than anticipated increases resulting from a newer vehicle population, which costs more to insure, and higher than anticipated growth in the number of vehicles insured.

Claim costs were $25,588,000 (5.1%) higher than budgeted, primarily due to higher than expected current year damage claims ($33,394,000) resulting from an unusually severe summer storm season and poor winter driving conditions. Partially offsetting the higher than expected current year damage claim costs was a net redundancy of $9,123,000 on prior year claims. The budget does not include an estimate for a change in the actuary's estimate of prior year costs and, therefore, this net redundancy results in a variance to budget.

The investment portfolio provided earnings of $91,349,000, which were $28,470,000 higher than the planned investment earnings. The budget anticipated a 6.0% overall rate of return compared to the actual rate of return of 8.7%.

The difference was primarily a result of gains realized on the sale of investments being $26,970,000 more than expected. As gains on the sale of investment are dependent on trading activity of the investment manager as well as capital market performance, they are typically difficult to budget accurately.

Statement of Comprehensive Loss

For the Auto Fund, the Statement of Comprehensive Loss provides a measure of income which considers the changes in the fair value of investments during the year, rather than basing income on net realized gains as provided in net income. In 2007, a comprehensive loss of $103,368,000 was recorded, consisting of the decrease to the RSR of $67,305,000 and an other comprehensive loss of $36,063,000. The other comprehensive loss of $36,063,000 indicates that the unrealized gains declined during the year.

Statement of Cash Flows

Operating activities used cash resources during 2007 of $41,819,000, primarily a result of the $99,308,000 rebate paid in March 2007 and the $26,906,000 mid-term refund paid in July. Excluding the impact of these two significant cash outflows, cash provided by operations was $84,395,000. Cash from operations was able to fund the mid-term refund, as well as a significant portion of the rebate.

Cash provided by investing activities of $48,020,000 was primarily from sales of investments during the first quarter, which were required to fund a portion of the rebate to policyholders.

Statement of Financial Position

Accounts receivable

Accounts receivable decreased by $12,078,000. The decrease was primarily attributable to the timing of a $13,797,000 investment receivable due and received in January 2007 from a December 2006 investment sales transaction.

Investments

As discussed below, under the heading Impact of New Accounting Standards, the carrying value of the Auto Fund's investments, except its income-producing property, changed effective January 1, 2007 from a cost basis to fair value. The impact on the carrying value of investments at January 1, 2007 was to increase the carrying value of investments by $104,363,000 to $1,176,817,000. At December 31, 2007, the fair value of investments was $1,126,735,000, including $68,300,000 of unrealized gains. The decline in the fair value of investments during the year was primarily a result of sales during the year to fund a portion of the $99,308,000 rebate to policyholders.

These investments are held to pay future claim payments and the income earned on these investments helps reduce insurance rates for vehicle owners. These funds are invested according to a Statement of Investment Policy and Goals. The Auto Fund's investment policy adopted a long-term investment horizon, given the overall positive cash flows. In order to achieve the long-term investment goals, the Fund must invest in assets that provide an attractive risk-return profile over the medium to long-term. The overall risk profile of the investment portfolio is designed to balance the investment return needs of the liabilities, while optimizing longer-term growth. The investment policy takes into consideration the current and expected conditions of the capital markets and the historic return and risk profile of various asset classes over time. Management monitors and enforces compliance with the investment policy. The Auto Fund was in compliance with its investment policy during the year.

The Auto Fund's investments are short-term investments, bonds and debentures, equities, mortgages and real estate. Equities include investments in Canadian and United States common shares as well as an investment in a non-North American pooled equity fund. Real estate includes investment in a pooled real estate fund as well as an income-producing

property in Regina, Saskatchewan. Mortgages were held on an individual basis until September 30, 2007, at which time they were transferred to a mortgage pooled fund. More detail on the investment portfolio categories is provided in Note 5 to the financial statements.

Saskatchewan Auto Fund Asset Mix %

The most significant change to the fair value asset mix in 2007 was the repositioning to a more defensive asset mix, given the market volatility experienced during the year. As such, holdings of short-term investments increased during the year, while holdings of both bonds and equities declined. The real estate investment weighting increased due to strong capital appreciation in 2007. The segregated mortgage holdings were transferred into a mortgage pooled fund to improve diversification within this asset class, while still considering the liquidity needs of the Auto Fund based on claim settlement patterns.

Accounts payable and accrued charges

At December 31, 2007, accounts payable and accrued charges were $18,704,000 (2006 - $28,188,000). The decrease primarily relates to investments purchased prior to December 31, 2007, where the funds to settle the investment were not disbursed until subsequent to year end.

Provision for unpaid claims

The provision for unpaid claims grew by $60,532,000 during 2007 to $824,086,000 (2006 - $763,554,000). This represents an increase of approximately 8% from last year. Key components of the change in the provision for unpaid claims are discussed in the Claims incurred section above.

This liability reflects the estimated ultimate costs of claims reported but not settled, along with claims incurred but not reported. The process for determining the provision requires management judgment and estimation as discussed in the following section Critical Accounting Estimates.

Equity

Rate Stabilization Reserve (RSR)

At December 31, 2007, the balance in the RSR was $140,975,000 (2006 - $205,601,000). The change in the balance was due to the 2007 deficit of $67,305,000 (2006 - $57,041,000 surplus). The 2007 deficit was a result of the $99,308,000 rebate paid to 2006 policyholders in March 2007.

Redevelopment Reserve

A Redevelopment Reserve (the reserve) is in place to ensure that adequate funding is available to meet the Auto Fund's commitment to redevelop its information system. During 2007, costs were incurred relating to the project of $2,679,000

(2006 - $1,296,000); therefore, the reserve was reduced accordingly with $2,679,000 (2006 - $1,296,000) appropriated back to the RSR.

The Redevelopment Reserve was originally established at $35 million and the cost of the project is not to exceed this amount. The project is anticipated to be complete by the end of 2010. It is required to address the antiquity of current systems, make improvements in delivering changes, offer more choices for customers, provide better and more accessible information and better position the Auto Fund for future demands.

Accumulated other comprehensive income (AOCI)

AOCI was a new component of equity in 2007, as discussed below under the heading Impact of New Accounting Standards. It reflects the unrealized gains or losses related to financial assets designated as available for sale. For the Auto Fund, this includes its entire investment portfolio, excluding income-producing property.

Unrealized gains upon transition at January 1, 2007 were $104,363,000. During the year, the Auto Fund sold investments resulting in realized net gains of $43,177,000. These were transferred to net realized gain on sale of investments in the Statement of Operations. Investments also increased in value during the year due to increases in the market value of common shares and the real estate pooled fund, representing an increase to AOCI of $7,114,000.

Impact of New Accounting Standards

Effective January 1, 2007, the Auto Fund adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, Comprehensive Income, and Section 3855, Financial Instruments - Recognition and Measurement.

Section 1530 requires presentation of a Statement of Comprehensive Income, as included in the Auto Fund's financial statements. Comprehensive income is comprised of net income and other comprehensive income (OCI). OCI represents changes in equity during a period arising from transactions and other events with non-owner sources, other than the increase (decrease) to the RSR. The change in OCI is recorded as AOCI on the Statement of Financial Position. The Auto Fund's OCI is comprised of the change in unrealized gains and losses on those investments designated as available for sale. Those unrealized gains and losses are included in AOCI on the Statement of Financial Position. When the underlying investments are subsequently sold or written down, the resulting realized gain or loss is released from AOCI into investment earnings in the Statement of Operations.

Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. The measurement basis depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial instruments classified as held for trading are measured at fair value and changes in fair value would be recognized as a change to the RSR on the Statement of Operations. Financial instruments classified as available for sale are measured at fair value with changes in fair value recorded in other comprehensive income, however, unrealized losses considered other than temporary continue to be recognized as a decrease to the RSR. The criteria to determine whether an unrealized loss is considered other than temporary has not changed under the new section. Financial instruments designated as held to maturity, loans and receivables, or other financial liabilities are measured at amortized cost using the effective rate method.

Prior to January 1, 2007, the Auto Fund amortized the purchase discount or premium from its investments by utilizing the straight-line method over the expected life of the investment. By adopting Section 3855, as of January 1, 2007, the Auto Fund is now using the effective interest rate method to calculate amortization.

The Auto Fund has designated its cash and cash equivalents and investments as available for sale, except for its income-producing property, which is not considered a financial instrument. Accounts receivable were designated as loans and receivables. Accounts payable and premium taxes payable were designated as other financial liabilities. The net investment in capital lease, the accrued pension asset and the provision for unpaid claims are exempt from Section 3855. The Auto Fund has no financial instruments designated as held for trading or held to maturity.

The adoption of these new sections was applied as of January 1, 2007, without restatement of comparative figures. The effect of the adoption at January 1, 2007 was to increase the carrying value of investments from $1,072,454,000 to $1,176,817,000. An offsetting adjustment of $104,363,000 was recorded in AOCI at January 1, 2007.

Related Party Transactions

The Saskatchewan Auto Fund is related in terms of common ownership to all Government of Saskatchewan departments, agencies, boards, commissions, Crown corporations and jointly controlled and significantly influenced corporations and enterprises. Transactions with these entities are entered into in the normal course of business and are settled at prevailing market prices under normal trade terms. See Note 13 to the financial statements for the details of these transactions.

SGI is the administrator of the Saskatchewan Auto Fund on behalf of the Province of Saskatchewan. Administrative and claim adjustment expenses incurred by SGI are allocated to the Auto Fund directly or on the basis of specific distributions. Amounts incurred by SGI and charged to the Auto Fund were $96,657,000 (2006 - $83,346,000) and accounts receivable were $3,007,000 (2006 - $1,613,000).

The Auto Fund, as lessor, has an interest in a capital lease in Prince Albert, Saskatchewan with the Ministry of Government Services, a provincial government department. This lease expires in April 2011. Further details of this lease are provided in Note 6 to the financial statements.

Off-Balance Sheet Arrangements

The Auto Fund, in its normal course of operations, enters into certain transactions that are not required to be recorded on its statement of financial position - commonly referred to as the balance sheet. These items include litigation, structured settlements and rehabilitation funding commitments. These items are discussed below and in the notes to the financial statements.

The Auto Fund, as is common to entities that operate in the insurance industry, is subject to litigation arising in the normal course of insurance operations. The Auto Fund is of the opinion that current litigation will not have a material impact on operations, financial position or cash flows of the Fund.

In the normal course of settling claims, the Auto Fund settles some long-term disability claims by purchasing structured settlements (annuities) from various financial institutions for its claimants. This is a common practice in the property and casualty industry. The net present value of the scheduled payments at December 31, 2007 was $22,848,000 (2006 - $24,352,000). The Auto Fund has no recourse to these funds. The Auto Fund provides a financial guarantee to the claimant in the event of default by the financial institution on the payment schedule to the claimant. No default has occurred in the past on these payment schedules and the likelihood of such default is considered as being extremely remote.

The Auto Fund has contractual obligations to provide funding to Saskatchewan health organizations to provide for rehabilitative services for those injured in automobile accidents. Funding commitments, which are detailed further in Note 16 to the financial statements, range between $10,500,000 and $19,185,000 per year over the next five years.

The Auto Fund has contracted with consulting firms to manage and consult on a project to redevelop its information systems. The remaining commitment for services to be provided from 2008 to 2010 is $6,849,000 (2006 - $6,393,000). In addition, the Auto Fund is committed to a related party until 2010 for telecommunication contracts. At December 31, 2007, the remaining commitment was $721,000 (2006 - $844,000).

Critical Accounting Estimates

This discussion and analysis of financial condition and results of operations is based upon financial statements as presented in this annual report. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) as recommended by the Canadian Institute of Chartered Accountants. Significant accounting policies are described in Note 2 to the financial statements. Certain of these policies involve critical accounting estimates because they require SGI as the administrator to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

The development, selection and application of key accounting policies, and the critical accounting estimates and assumptions they involve, have been discussed with the Board of Directors, which reviewed the disclosures described in this section. The most significant critical accounting estimates involve the provision for unpaid claims and impairment of investments.

Provision for unpaid claims

A provision for unpaid claims is maintained to cover the estimated ultimate liability for losses and loss adjustment expenses for reported claims and claims incurred but not yet reported (IBNR) as at the end of each accounting period. The initial provision is determined on the reported facts filed with the claim and then revised regularly, as more information on the claim becomes known. The provision does not represent the exact calculation of the liability owing to claimants, but is an estimate developed using Canadian accepted actuarial practices and Canadian insurance regulatory requirements. The estimate reflects an expectation of the ultimate cost of settlement and administration of claims. It involves an assessment based on the facts and circumstances of the events reported in the claim, experience with similar claims, historical trends involving claim payments, claim severity, the effect of inflation on reported and future claims, court decisions and the time frame anticipated to settle and pay the claim.

This provision is refined on a continual basis as prior fiscal year claims are settled and additional claims are reported and settled. There may be significant time delays from the occurrence of the insured event and when it is reported. If this occurs near the year end date, estimates are made as to the value of these claims based on information known at that time. As well, uncertainty exists for reported claims that are not settled, as all necessary information may not be available. Thus, with the level of uncertainty involved in the claim process, until the final settlement occurs, current reserves may not be sufficient. As permitted by Canadian GAAP, only long-term disability claims included in this provision are discounted. Any adjustments to these estimates, both positive (a redundancy or excess) and negative (a deficiency) are included in the provision for unpaid claims and are reflected as claims incurred in the current year's Statement of Operations.

Impairment of investments

The establishment of an impairment of an investment security requires a number of judgments and estimates. The administrator of the Auto Fund performs a quarterly analysis of investment holdings to determine if declines in market value of a particular investment are other than temporary. This analysis includes:

- identifying all security holdings in an unrealized loss position that has existed for at least six months;
- assessing if declines in market value are other than temporary for debt security holdings based on the investment grade credit rating from third-party security rating agencies; and,
- determining the necessary provision for declines in market value that are considered other than temporary based on the analyses performed.

Risk Management

Understanding and managing risk is important to the Auto Fund's success. Risks represent potential threats to meeting the objectives set forth and affect the ability to take advantage of opportunities as they present themselves. Senior management of SGI, acting as the administrator of the Auto Fund, has a process to formally review risks semi-annually. This review includes identifying, analyzing and ranking key risks based on their likelihood of occurrence and their potential impact. This process results in a risk profile for the Saskatchewan Auto Fund. Mitigation plans are developed to minimize the impact or likelihood of occurrence of the identified risks, based on their risk ranking. The risk profile is reviewed, and input provided, by the Audit and Finance Committee of the Board of Directors. The administrator's Audit Services branch also uses the risk profile in developing its annual work plan.

The following are the main risks that are managed to reduce their impacts on operations and profitability. It is not an exhaustive list of all risks the Auto Fund faces.

Provision for unpaid claims (or reserve risk) is the risk that the reserves set aside today are not enough to meet the Auto Fund's liability for unpaid claims. The Auto Fund maintains a reserve to cover the liability for future payments on reported claims and an estimate for claims that have not yet been reported. These amounts are estimates, and the ultimate payment on these claims may differ from the estimate. Fluctuations in this reserve are monitored on an ongoing basis to limit their impact on operations.

Inaccurate claims liability estimates could lead to inappropriate rating decisions, the misstating of financial results or an inability to meet claims obligations as they come due. These risks could lead to harm to the Auto Fund's reputation and loss of public confidence. Detailed annual reviews of case reserves are conducted each year by the claims department. As well, an in-house actuarial unit monitors claims reserve adequacy throughout the year and undertakes actuarial valuations three times during the year.

Regulatory risk represents the risk that the Auto Fund cannot implement rate changes when required, leading to rate imbalances and inequities, which can cumulate over time. Corrections to this imbalance could lead to rate shocks and potentially negative reaction from Auto Fund customers. To mitigate this risk, the Auto Fund maintains a sufficient surplus in the Rate Stabilization Reserve, is undertaking an annual rate adequacy analysis, and will continue to work with the Saskatchewan Rate Review Panel and the Government of Saskatchewan.

Privacy management risk is the risk that the Auto Fund releases or uses private information without proper authorization. The improper release of information would cause financial and reputational harm. To reduce this risk, SGI as the

administrator of the Auto Fund has assigned a Chief Privacy Officer and developed a privacy management framework that meets legislative requirements imposed by *The Freedom of Information and Protection of Privacy Act* (Saskatchewan), *The Health Information Protection Act* and other privacy legislation. The framework ensures that policies and practices are in place to protect privacy and personal information maintained by SGI. It has access controls that limit access to the data. All employees, including the Board of Directors, are subject to SGI's Code of Ethics and Conduct and its Information Technology policy. All employees of SGI are required to take privacy training and a whistleblower policy and hotline are in place.

Third-party or employee fraud risk exists and includes the commitment of fraudulent acts by claimants, as well as the risk of fraudulent activities by staff and other business partners. These and other illegal acts can have far-reaching financial implications for the business overall, resulting in harm to the Auto Fund's reputation and weakening customer confidence. The use of internal and external auditors is currently an existing mitigating factor. The Auto Fund continues to use and improve its Audit Services department, its Special Investigations Unit, and its overall control systems to control fraudulent activities. The Auto Fund's whistleblowing policy and hotline also mitigate this risk.

Responsiveness to business needs is key to the Auto Fund as its customers expect the company to be able to respond quickly with new programs and products. The Auto Fund information system redevelopment project is a mitigating factor for the Auto Fund, which when completed will result in a much quicker response time for customers. As well, the Auto Fund continues to work to improve other business processes to improve response times.

Risk to information systems involves the protection of data from accidental or deliberate destruction and from outside intrusion. It also involves the security of corporate hardware from failure, destruction or theft, maintaining up-to-date versions of software/hardware, along with keeping abreast of changes in information technology. Data is secured using modern systems of access and protection along with regular backups. SGI has developed and regularly reviews its business continuity plan, which includes provision for an alternative computing services site for major applications that can be instantly activated.

Reinsurance risk relates to a financial loss due to inadequate coverage, default or financial failure of a reinsurer. The Auto Fund annually reviews reinsurance requirements to determine the type and amount required for sustaining the Auto Fund's operations. Reinsurers are selected based on their financial strength, coverage available and the cost of the reinsurance. Due to the number of world-wide disasters in the last five years, the availability and cost of reinsurance available to the Auto Fund has become increasingly expensive, but not cost prohibitive. Reinsurance is required to sustain operations and to help minimize rate increases. Reinsurance does not relieve the Auto Fund of its financial responsibilities to policyholders, but helps to pay these claims in the event of a catastrophic event.

Catastrophe exposure risk relates to losses arising from catastrophic events. With the Auto Fund insuring all vehicles in the province, it is susceptible to large losses from major storms in Saskatchewan. To limit this risk, it purchases catastrophe reinsurance protection that reduces the potential impact from major losses as a result of catastrophic events.

Investing risk relates to changes in interest rates, foreign currency and market values. Lower interest rates impact the earnings of the investment fund that is used to pay claims. The returns from capital markets, both domestic and foreign, are uncertain and will fluctuate from year to year. A Statement of Investment Policies and Goals (SIP&G) is reviewed annually by internal and external investment consultants and is approved annually by the Board of Directors, as recommended by the Investment Committee of the Board. No derivative financial instruments are used to alter the effects of market changes and fluctuations. The main goal of the SIP&G is to have an investment policy and strategy that is based on prudence, regulatory guidelines and claim settlement patterns with a view to maximize long-term returns utilizing a conservative investment portfolio.

The investment manager follows the SIP&G, which provides guidelines for the asset mix of the portfolio regarding quality and quantity of debt, real estate and equity investments using a prudent person approach. The asset mix helps to reduce the impact of market-value fluctuations by requiring investments in different pools and in domestic and foreign markets. Some of the quantity and quality investment limits are based on legislative requirements in The Insurance Companies Act (federal). The SIP&G also has rate of return standards for the portfolio and performance return measurement standards for the investment manager. The investment manager produces quarterly reports on the performance of assets under his management that are reviewed by corporate management and the Investment Committee of the Board of Directors.

Credit risk is the possibility that counterparties may not be able to meet payment obligations when they come due. A counterparty is any person from which cash or other forms of consideration are expected to extinguish a liability or obligation. The Auto Fund's investment policy limits debt instruments to those of high credit quality. The minimum quality standard for purchase of bonds and debentures is BBB, and for short-term investments is R-1, as rated by a recognized credit rating service. In addition, the Auto Fund's investment policy limits the amount of exposure with respect to any one issuer. The Auto Fund had no direct exposure to non-bank sponsored asset-backed commercial paper during 2007 and its investment policy prohibits the purchase of non-bank sponsored asset backed commercial paper.

Foreign currency exposure arises from holding investments denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against foreign currencies result in a positive or negative effect on the fair value of investments. Foreign currency risk is managed by limiting holdings of foreign investments to a maximum of 14% of the market value of the entire investment portfolio.

Outlook for 2008

The Auto Fund enters 2008 in a strong financial position. While claim costs were higher than average, strong investment earnings resulted in a surplus of $32,003,000 prior to the $99,308,000 rebate to policyholders paid in March 2007. The Auto Fund's strong financial position will allow it to continue work towards the goals of being customer-driven and the most affordable automobile insurance plan in Canada.

A 7.1% average rate reduction was implemented effective July 1, 2007, to ensure customers are paying fair rates for their vehicle premiums in the future. The Auto Fund has seen no rate increases for seven years and in fact, overall, rates have actually decreased with the improvements made to the Safe Driver Recognition and Business Recognition discount programs. The cross-Canada rate comparison has shown that Auto Fund customers benefit from the lowest average private auto insurance rates in Canada. There is no overall rate change planned for 2008; however, rates for many Auto Fund customers may decrease based on their improving safety ratings under the discount programs.

One of the key strategies implemented by the Auto Fund in 2007 was a long-term traffic safety strategy to further help in saving lives, reducing injuries and lowering costs associated with vehicle collisions. Customers indicate they value the Auto Fund for its role in promoting road safety in the province. Over the years, SGI has evolved into a national leader in the area of road safety programs, education and legislation. In 2008, the Auto Fund will continue to implement approved elements of the strategy, focusing on key areas such as reducing impaired driving, improving use of occupant protection, improving intersection safety, better speed management, additional roadway-based solutions and addressing other human factors.

The vision to be customer driven means the Auto Fund wants to anticipate the expectations of its customers and exceed them. To meet that goal, it has three Customer Councils established - one representing customers from the general

public, one representing commercial customers and the third consisting of SGI employees who work directly with customers. Each council has provided valuable ideas on how to improve the Auto Fund's products and services and the Corporation will continue to work with these groups in 2008. During 2008, the Auto Fund will continue to focus on customer input to identify and address emerging issues to improve service. The Auto Fund will continue to use its customer value index tool to help guide the Auto Fund in 2008 with its customer-driven initiatives.

The Auto Fund is also strengthening its focus on environmental stewardship in 2008. It is broadening corporate performance reporting to include all corporate recovery, recycling and green practices. New initiatives for 2008 include improvements to its buildings to increase their energy efficiency.

During 2008, the Auto Fund will implement the second of five releases for the Auto Fund system redevelopment project. The project continues to be on target to be completed in 2010 at a cost of $35 million. The new system will offer more choices for customers, provide better and more accessible information, allow the Auto Fund to respond more quickly to its customers and better position the Auto Fund for future demands.

Caution Regarding Forward-Looking Statements

Forward-looking statements include, among others, statements regarding the Saskatchewan Auto Fund objectives, strategies and capabilities to achieve them. These statements are not historical facts. Forward-looking statements are typically identified by words such as believe, expect, will, would, should, may, could or other comparable words. These statements involve risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements.

Forward-looking statements are based on estimates and assumptions made by SGI, as the administrator of the Auto Fund, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. Many factors could cause actual results, performance or achievements, or future events or developments, to differ materially from those expressed or implied by the forward-looking statements. Some factors that could cause such differences are discussed under the section Risk Management in this MD&A. The Risk Management section is not a comprehensive list of all possible factors, and other factors could also adversely affect the Auto Fund's results.

SGI, as the administrator of the Auto Fund, deems that the assumptions built into the forward-looking statements are plausible; however, all factors should be considered carefully when making decisions with respect to the Auto Fund. Undue reliance should not be placed on forward-looking statements, which only apply as of the date of this MD&A document. We do not undertake to update any of the forward-looking statements that may be made from time to time by or on the Fund's or the administrator's behalf.

Responsibility for Financial Statements

The financial statements are the responsibility of Management and have been prepared in conformity with accounting principles generally accepted in Canada. In the opinion of Management, the financial statements fairly reflect the financial position, results of operations and cash flows of the Saskatchewan Auto Fund (the Auto Fund) within reasonable limits of materiality.

Preparation of financial information is an integral part of Management's broader responsibilities for the ongoing operations of the Auto Fund. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An actuary has been appointed by the Auto Fund to carry out a valuation of the policy liabilities in accordance with accepted actuarial practice and common Canadian insurance regulatory requirements. The policy liabilities consist of a provision for unpaid claim and adjustment expenses on the earned portion of policies and of future obligations on the unearned portion of policies. In performing this valuation, the actuary makes assumptions as to future rates of claim frequency and severity, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Auto Fund and the nature of the insurance policies. The actuary also makes use of Management information provided by the Auto Fund and the work of the external auditors in verifying the data used in the valuation.

The financial statements have been examined and approved by the Board of Directors of Saskatchewan Government Insurance, administrator of the Auto Fund. An Audit and Finance Committee, composed of members of the Board of Directors, meets periodically with financial officers of Saskatchewan Government Insurance and the external auditors. These external auditors have free access to this Committee, without Management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

As appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan, KPMG have been appointed external auditors. Their responsibility is to report to the Members of the Legislative Assembly regarding the fairness of presentation of the Auto Fund's financial position and results of operations as shown in the financial statements. In carrying out their audit, the external auditors also make use of the work of the actuary and her report on the policy liabilities. The Auditors' Report outlines the scope of their examination and their opinion.

Jon Schubert
President and Chief Executive Officer
Saskatchewan Government Insurance
as Administrator of the Saskatchewan Auto Fund

Don Thompson
Chief Financial Officer
Saskatchewan Government Insurance
as Administrator of the Saskatchewan Auto Fund

March 13, 2008

Actuary's Report

To the Board of Directors of
Saskatchewan Government Insurance

I have valued the policy liabilities of Saskatchewan Auto Fund for its statement of financial position at December 31, 2007 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods, except as described in the following paragraph.

In accepted actuarial practice, the valuation of policy liabilities reflects the time value of money. Management required that the valuation of some policy liabilities not reflect the time value of money, which is permissible under Canadian generally accepted accounting principles for financial reporting purposes. My valuation complies with that practice.

In my opinion, except as noted in the previous paragraph, the amount of policy liabilities makes appropriate provision for all policyholder obligations, and the financial statements fairly present the results of the valuation.

Andrea Sherry
Assistant Vice President, Corporate Actuary
Saskatchewan Government Insurance
Fellow, Canadian Institute of Actuaries

March 13, 2008

Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Saskatchewan Auto Fund as at December 31, 2007 and the statements of operations, comprehensive loss, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the management of Saskatchewan Government Insurance as administrators of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada

March 13, 2008

Statement of Financial Position

December 31	2007	2006
	(thousands of $)	
Assets		
Cash and cash equivalents (note 3)	$ 30,949	$ 24,748
Accounts receivable (note 4)	139,337	151,415
Deferred policy acquisition costs	20,270	19,094
Prepaid expenses and inventories	4,914	4,721
Investments (note 5)	1,126,735	1,072,454
Net investment in capital lease (note 6)	2,747	3,429
Property, plant and equipment (note 7)	46,754	41,925
	$ 1,371,706	$ 1,317,786
Liabilities		
Accounts payable and accrued charges	$ 18,704	$ 28,188
Premium taxes payable	28,078	28,103
Unearned premiums	260,538	258,636
Provision for unpaid claims (note 8)	824,086	763,554
	1,131,406	1,078,481
Equity		
Rate Stabilization Reserve	140,975	205,601
Redevelopment Reserve (note 9)	31,025	33,704
Accumulated other comprehensive income (note 2)	68,300	-
	240,300	239,305
	$ 1,371,706	$ 1,317,786

Commitments and contingencies (note 16)
(see accompanying notes)

On behalf of the Board:

Merin Coutts - Director

W.J.A. (Bill) Heidt - Director

Statement of Operations

year ended December 31	2007	2006
	(thousands of $)	
Gross premiums written	$ 561,568	$ 562,069
Net premiums written	$ 559,246	$ 560,432
Net premiums earned	**$ 557,087**	$ 542,204
Claims incurred	532,217	449,072
Issuer fees	27,161	22,936
Administrative expenses	36,180	29,945
Premium taxes	27,970	27,221
Traffic safety programs	13,674	10,790
Total claims and expenses	**637,202**	539,964
Underwriting profit (loss)	**(80,115)**	2,240
Investment earnings (note 10)	91,349	78,669
Other income (note 11)	20,769	20,229
Increase to Rate Stabilization Reserve before rebate to policyholders	**32,003**	101,138
Rebate to policyholders (note 15)	(99,308)	(44,097)
Increase (decrease) to Rate Stabilization Reserve	**$ (67,305)**	$ 57,041

(see accompanying notes)

Statement of Comprehensive Loss

year ended December 31	2007
	(thousands of $)
Decrease to Rate Stabilization Reserve	**$ (67,305)**
Other comprehensive loss	
Net unrealized gain on available for sale financial assets arising during the year	7,114
Reclassification for realized gain on sale of investments included in operations, net of investment write downs of $1,210,000	(43,177)
Other comprehensive loss	**(36,063)**
Comprehensive loss	**$ (103,368)**

(see accompanying notes)

Statement of Changes in Equity

	2007	2006
	(thousands of $)	
Rate Stabilization Reserve		
Balance, beginning of year	$ 205,601	$ 147,264
Increase (decrease) to Rate Stabilization Reserve	(67,305)	57,041
Appropriation from Redevelopment Reserve	2,679	1,296
Balance, end of year	**$ 140,975**	$ 205,601
Redevelopment Reserve		
Balance, beginning of year	$ 33,704	$ 35,000
Appropriation to Rate Stabilization Reserve	(2,679)	(1,296)
Balance, end of year	**$ 31,025**	$ 33,704
Accumulated other comprehensive income		
Balance, beginning of year	$ -	$ -
Change in accounting policy (note 2)	104,363	-
Other comprehensive loss	(36,063)	-
Balance, end of year	**$ 68,300**	$ -
Total equity	**$ 240,300**	$ 239,305

Statement of Cash Flows

year ended December 31	2007	2006
	(thousands of $)	
Cash provided by (used for):		
Operating activities		
Increase (decrease) to Rate Stabilization Reserve	$ (67,305)	$ 57,041
Non-cash items:		
Amortization	5,029	4,296
Net realized gain on sale of investments	(44,387)	(34,740)
Investment write downs	1,210	121
Change in non-cash operating items (note 12)	63,634	19,217
	(41,819)	45,935
Investing activities		
Purchases of investments	(1,639,061)	(1,602,734)
Proceeds on sale of investments	1,695,167	1,565,693
Repayment of capital leases	682	617
Purchases of property, plant and equipment	(8,768)	(6,527)
	48,020	(42,951)
Increase in cash and cash equivalents	**6,201**	2,984
Cash and cash equivalents, beginning of year	24,748	21,764
Cash and cash equivalents, end of year	**$ 30,949**	$ 24,748

(see accompanying notes)

Notes to the Financial Statements

December 31, 2007

1. Status of the Auto Fund

The Saskatchewan Auto Fund (the Auto Fund) was established effective January 1, 1984 by an amendment to *The Automobile Accident Insurance Act.* The Auto Fund is a compulsory vehicle insurance program providing vehicle registrations, driver's licences and related services for Saskatchewan drivers and vehicle owners. In addition to vehicle damage and property liability coverage, the Auto Fund also includes injury coverage that provides a choice between No Fault or Tort Coverage.

The Auto Fund is a self-sustaining fund, administered by Saskatchewan Government Insurance (SGI). The role of SGI, as administrator, is to oversee the operations of the Auto Fund for the Province of Saskatchewan. Any annual excess or deficiencies of the Auto Fund are recorded in its Rate Stabilization Reserve. The Rate Stabilization Reserve is held on behalf of Saskatchewan's motoring public and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from catastrophic events. Being a fund of the Province of Saskatchewan, it is exempt from federal and provincial income taxes. The financial results of the Auto Fund are included in the Province of Saskatchewan's summary financial statements and not in SGI's financial statements.

2. Significant Accounting Policies

The accounting policies of the Auto Fund are in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

Change in accounting policies

Effective January 1, 2007, the Auto Fund adopted the Canadian Institute of Chartered Accountants (CICA) Handbook, Section 1530, Comprehensive Income, and Section 3855, Financial Instruments - Recognition and Measurement.

Section 1530 requires presentation of a Statement of Comprehensive Income, as included in these financial statements. Comprehensive income is comprised of net income and other comprehensive income (OCI). OCI represents changes in equity during a period arising from transactions and other events with non-owner sources, other than the increase (decrease) to the Rate Stabilization Reserve. The change in OCI is recorded as accumulated other comprehensive income (AOCI) on the Statement of Financial Position. The Auto Fund's OCI is comprised of the change in unrealized gains and losses on those investments designated as available for sale. Those unrealized gains and losses are included in the AOCI on the Statement of Financial Position. When the underlying investments are subsequently sold, or written down, the resulting realized gain or loss is released from AOCI into investment earnings in the Statement of Operations.

Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. The measurement basis depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial instruments classified as held for trading are measured at fair value and changes in fair value would be recognized as a change to the Rate Stabilization Reserve on the Statement of Operations. Financial instruments classified as available for sale are measured at fair value with changes in fair value recorded in other comprehensive income, however, unrealized losses considered other than temporary continue to be recognized as a decrease to the Rate Stabilization Reserve. The criteria to determine whether an unrealized loss is considered other than temporary has not changed under the new section. Financial instruments designated as held to maturity, loans and receivables or other financial liabilities are measured at amortized cost using the effective rate method.

Prior to January 1, 2007, the Auto Fund amortized the purchase discount or premium from its investments by utilizing the straight-line method over the expected life of the investment. By adopting Section 3855, as of January 1, 2007, the Auto Fund is now using the effective interest rate method to calculate amortization.

The Auto Fund has designated its cash and cash equivalents and investments as available for sale, except for its income producing property which is not considered a financial asset. Accounts receivable were designated as loans and receivables. Accounts payable and premium taxes payable were designated as other financial liabilities. The net investment in capital lease, the accrued pension asset, and the provision for unpaid claims are exempt from Section 3855. The Auto Fund has no financial instruments designated as held for trading or held to maturity.

The adoption of these new sections was applied as of January 1, 2007, without restatement of comparative figures. The effect of the adoption at January 1, 2007 was to increase the carrying value of investments from $1,072,454,000 to $1,176,817,000. An offsetting adjustment of $104,363,000 was recorded in AOCI at January 1, 2007.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation process is related to the actuarial determination of the provision for unpaid claims (note 8).

Investments

All investments are carried at fair value, except the income producing property. The fair value of short-term investments is based on cost, which approximates fair value due to the immediate or short-term nature of these financial instruments. The fair value of bonds and debentures and common shares is determined based on quoted market values, based on the latest bid prices. The fair value of the non-North American pooled equity fund is based on the quoted market values of the underlying investments, based on the latest bid prices. The fair value of the pooled mortgage fund is based on the market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgage using interest rates which reflect the term and credit risk associated with the mortgage. The fair value of the pooled real estate fund is based on the most recent appraisals of the underlying properties.

The Auto Fund has a one-third interest in a real estate joint venture, which is accounted for using proportionate consolidation. The resulting income producing property is being amortized over its estimated useful life of 50 years on a straight-line basis. The other interests in this joint venture are SaskPen Properties Ltd. (SaskPen) and a private sector investor. SaskPen is a real estate corporation owned by Province of Saskatchewan employee pension plans.

The Auto Fund records its investment purchases and sales on a trade-date basis, being the date when the transactions are entered into.

Investment earnings

The Auto Fund recognizes interest and capital lease revenue as earned, dividends when declared, pooled equity fund revenue when a distribution is declared, and investment gains and losses when realized.

Interest revenue includes amortization of any premium or discount recognized at date of purchase of the security. Amortization is calculated using the effective interest rate method. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Interest is generally payable on a semi-annual basis.

Transaction costs are included in the acquisition cost of individual investments. Direct investment expenses, such as external custodial, investment management and investment consultant expenses, are recorded against investment earnings.

When the fair value of an investment falls below its cost, and the decline is determined to be other than temporary, a loss equivalent to the difference between cost and fair value is recorded in investment earnings as an investment write down.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect at the year-end date. Revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized foreign exchange gains and/or losses arising on investments designated as available for sale are included in other comprehensive income until realized, at which time they are reclassified from accumulated other comprehensive income to investment earnings. Translation gains and/or losses related to other financial assets and liabilities are charged to operations in the current year.

Premiums

Premiums written are taken into income over the terms of the related policies, no longer than twelve months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims to the year-end date. The estimate includes the cost of reported claims, and claims incurred but not reported, and an estimate of adjusting expenses to be incurred on these claims. The provision is calculated without discounting except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Cash and cash equivalents

Cash and cash equivalents consist of money market investments with a maturity of 90 days or less from the date of acquisition, and are presented net of cash on hand less outstanding cheques.

Deferred policy acquisition costs

Premium taxes and issuer fees are deferred and then charged to expense over the terms of the insurance policies to which such costs relate. The method followed in determining the deferred policy acquisition costs limits the amount of the

deferral to the amount recoverable from unearned premiums after giving consideration to investment earnings, as well as claim and adjustment expenses expected to be incurred as the premiums are earned.

Capital leases

Investment earnings related to direct financing leases are recognized in a manner that produces a constant rate of return on the investment in each lease. The net investment in leases is composed of net minimum lease payments less unearned finance income.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis, commencing in the year in which the assets are placed in service, over their estimated useful lives as follows:

Buildings and improvements	40 years
Computer hardware, system costs and other equipment	3-5 years

Redevelopment Reserve

The Redevelopment Reserve was established, through an appropriation from the Rate Stabilization Reserve, to meet the Auto Fund's commitment to redevelop its information system. As redevelopment expenses are incurred and charged against operations, funds are appropriated back to the Rate Stabilization Reserve.

Future accounting policy changes

The CICA has issued three new accounting standards that will become effective for the Corporation on January 1, 2008. These standards are Handbook Section 1535, Capital Disclosures (Section 1535), Handbook Section 3862, Financial Instruments - Disclosures (Section 3862) and Handbook Section 3863, Financial Instruments - Presentation (Section 3863).

Section 1535 requires disclosure of both quaiitative and quantitative information that enables users of financial statements to evaluate the Auto Fund's objectives, policies and processes for managing capital.

Section 3862 and Section 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation. The new standards do not have a significant impact on the presentation requirements, however, place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

3. Cash and Cash Equivalents

	(thousands of $) 2007	2006
Treasury bills	$ 30,791	$ 24,550
Cash on hand, net of outstanding cheques	158	198
Total cash and cash equivalents	$ 30,949	$ 24,748

The average effective interest rate on the treasury bills is 4.6% (2006 - 4.3%).

4. Accounts Receivable

Accounts receivable is comprised of the following:

	(thousands of $) 2007	2006
Due from insureds	$ 115,034	$ 114,684
Amounts recoverable on paid claims	6,936	6,547
Accrued investment income	6,117	7,077
Licence issuers receivable	4,440	3,912
Due from SGI CANADA	3,007	1,613
Salvage operations receivable	1,778	1,679
Accrued pension asset	1,282	1,113
Investment proceeds receivable	383	13,797
Other	360	247
Due from Saskatchewan Finance	-	746
Total accounts receivable	$ 139,337	$ 151,415

Included in due from insureds are $112,465,000 (2006 - $112,372,000) of financed premiums receivable, which represents the portion of policyholders' monthly premium payments that are not yet due. The majority of policyholders' have the option to pay a portion of the premium when the policy is placed in force and the balance in monthly installments. The policyholder pays an additional charge for this option, reflecting handling costs and the investment income that would have been earned on such premium, had the total amount been collected at the beginning of the policy period. The additional charge is recognized as other income over the period of the policy.

5. Investments

As a result of adoption of CICA Handbook, Section 3855 (note 2), the basis for the carrying value for investments has changed effective January 1, 2007. The carrying value of the Auto Fund's investments is as follows:

		(thousands of $)	
	December 31 2007	January 1 2007	December 31 2006
Short-term investments	$ 55,309	$ 34,170	$ 34,170
Bonds and debentures	651,662	715,298	708,041
Canadian common shares	168,996	184,812	121,509
U.S. common shares	58,949	61,159	50,419
Pooled funds			
- Non-North American equity	58,655	70,985	53,004
- Mortgage	66,289	-	-
- Real estate	58,543	44,729	41,100
Income producing property	8,332	8,580	8,580
Mortgages	-	57,084	55,631
Total investments	$ 1,126,735	$ 1,176,817	$1,072,454

Details of significant terms and conditions, exposures to interest rate and credit risks of investments are as follows:

(i) Short-term investments:

Short-term investments are comprised of treasury bills with a maturity of less than one year but greater than 90 days from the date of acquisition. These investments have an average effective interest rate of 4.3% (2006 - 4.3%) and an average remaining term to maturity of 130 days (2006 - 108 days). The Auto Fund's investment policy states that investments must meet minimum investment standards of R-1, as rated by a recognized credit rating service.

Holdings for any one issuer, other than the Government of Canada or a Canadian province, are limited to 10% of the market value of the combined short-term investment and bond portfolios.

(ii) Bonds and debentures:

The Auto Fund's investment policy states that the minimum quality standard for purchase of bonds and debentures is BBB, as rated by a recognized credit rating service.

The Auto Fund's investment policy limits its holdings for any one issuer, other than the Government of Canada or a Canadian province, to 10% of the market value of the combined bond and short-term investment portfolios. The holdings for any one province are limited to 20% of the market value of the bond portfolio. Foreign currency exposure is limited to 5% of the market value of the bond portfolio and no more than 10% of the market value of the bond portfolio shall be invested in bonds of foreign issuers.

The carrying value and average effective interest rates are shown in the following chart by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	(thousands of $)			
	2007		2006	
Term to maturity (years)	Carrying Value	Average Effective Rates	Carrying Value	Average Effective Rates
Government of Canada:				
After one through five	$ 235,336	4.1%	$ 254,819	4.2%
After five	51,659	4.6%	127,163	3.9%
Canadian provincial & municipal:				
After one through five	26,091	5.6%	17,015	5.8%
After five	153,874	4.9%	167,497	5.0%
Canadian corporate:				
One or less	4,806	4.4%	50	7.0%
After one through five	62,195	5.1%	85,690	4.7%
After five	117,701	5.0%	55,807	5.1%
Total bonds & debentures	$ 651,662		$ 708,041	

(iii) Common shares:

Common shares have no fixed maturity dates and are generally not exposed to interest rate risk. The average effective dividend rate is 1.9% (2006 - 2.2%).

The Auto Fund's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of the Auto Fund's common shares portfolio. As well, no one holding may represent more than 10% of the voting shares of any corporation.

(iv) Pooled funds:

The Auto Fund owns units in a non-North American pooled equity fund, a pooled mortgage fund and a pooled real estate fund. These pooled funds have no fixed distribution rate. Fund returns are based on the success of the fund managers.

(v) Income producing property:

The income producing property consists of land and buildings in Regina, Saskatchewan with costs of $1,451,000 (2006 - $1,451,000) and $8,593,000 (2006 - $8,593,000) respectively and accumulated amortization of $1,712,000 (2006 - $1,465,000) on buildings.

(vi) Unrealized loss positions:

The following table presents available for sale investments with unrealized losses at December 31, 2007 where the decline is considered temporary. The unrealized losses are recorded as a component of accumulated other comprehensive income.

	(thousands of $) 2007 Fair Value	(thousands of $) 2007 Unrealized Losses
Bonds and debentures		
- Provincial	$ 44,126	$ (527)
- Municipal	8,649	(70)
- Corporate	128,397	(3,081)
Mortgages (segregated)	712	(3)
Canadian common shares	40,792	(3,260)
U.S. common shares	14,017	(1,782)
	$ 236,693	$ (8,723)

As at December 31, 2007, the cost of 80 available for sale investments exceeded their fair value by $8,723,000. The unrealized losses on the bonds and debentures arose primarily from an increase in interest rates. For equities, unrealized losses are primarily the result of timing of the market prices or investment specific business environment factors. Since the Auto Fund has the ability to hold these securities until there is a recovery of fair value, which may be at maturity for bonds and debentures, these unrealized losses are considered temporary in nature.

The Auto Fund conducts a quarterly review to identify and evaluate investments that show indications of impairment. An investment is considered impaired if its fair value falls below its cost, and a write down is recorded in investment earnings when the decline is considered other than temporary. Factors considered in determining whether a loss is temporary include the length of time and extent to which fair value has been below cost, financial condition and near-term prospects of the issuer, and the ability to hold the investment for a period of time sufficient to allow for any anticipated recovery.

6. Net Investment in Capital Lease

The Auto Fund, as lessor, has a 63% interest in a lease agreement with the Ministry of Government Services, a related party, for a term of 30 years (expiring April 2011) on property in Prince Albert, Saskatchewan. The lease transfers substantially all benefits and risks associated with the ownership of the property to the lessee.

The Auto Fund's net investment in the capital lease includes the following:

	(thousands of $) 2007	2006
Total minimum lease payments receivable ($995,000 per year)	$ 3,230	$ 4,225
Unearned income	(483)	(796)
Net investment in capital lease	$ 2,747	$ 3,429

The fair value of the net investment in the capital lease is $3,127,000 (2006 - $4,017,000). The fair value is calculated by discounting scheduled cash flows through to the estimated expiration of the lease using current interest rates.

7. Property, Plant and Equipment

The components of the Auto Fund's investment in property, plant and equipment, as well as the related accumulated amortization, is as follows:

	(thousands of $) 2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 6,979	$ -	$ 6,979	$ 6,979
Buildings and improvements	44,594	17,143	27,451	26,521
Computer hardware, system costs and other equipment	42,293	29,969	12,324	8,425
Total	$ 93,866	$ 47,112	$ 46,754	$ 41,925

Amortization for the year is $3,939,000 (2006 - $2,758,000) and is included in administrative expenses on the Statement of Operations. Included in computer hardware, system costs and other equipment are unamortized costs of $3,278,000 (2006 - $4,750,000) associated with redevelopment of the Auto Fund's information system.

8. Provision for Unpaid Claims

(i) Nature of unpaid claims:

The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Auto Fund at the year-end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at the year-end date.

Factors used to estimate the provision include: the Auto Fund's experience with similar cases, historical claim payment trends, the characteristics of each class of business, claim severity and claim frequency such as those caused by natural disasters, the effect of inflation on the cost of future claims, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as damage claims tend to be more reasonably predictable than long-tail claims such as long-term disability and liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors and on the judgment and opinions of a number of individuals, which necessarily involves risk that actual results may differ materially from the estimates.

(ii) Type of unpaid claims:

The provision for unpaid claims is summarized by type of claim as follows:

	(thousands of $)	
	2007	2006
Injury accident benefits	$ 627,985	$ 601,616
Injury liability	107,002	90,299
Damage	89,099	71,639
Total	$ 824,086	$ 763,554

Included in the provision for unpaid claims are discounted amounts for certain injury accident benefits in the amount of $391,468,000 (2006 - $387,126,000). These claims have been discounted using a rate of 4.6% to 6% (2006 - 4.6% to 6%) which reflects the expected claim settlement patterns and the Auto Fund's projected rate of return on its investment portfolio.

Included in the above amount is a provision for adverse development (PFAD) in the amount of $33,472,000 (2006 - $32,941,000). The incorporation of a PFAD on benefits is in accordance with accepted actuarial practice and the selected PFAD is within the ranges recommended by the Canadian Institute of Actuaries. The PFAD considers the Auto Fund's assumptions concerning claims development, reinsurance recoveries and future investment earnings.

The fair value of the provision for unpaid claims has not been determined because it is not practicable to do so with sufficient reliability.

(iii) Change in the estimate for the provision for unpaid claims:

The change in the estimate for the provision for unpaid claims is as follows:

	(thousands of $) 2007	2006
Net unpaid claims - beginning of year	$ 763,554	$ 746,989
Payments made during the year relating to prior year claims	(147,908)	(147,054)
Deficiency (excess) relating to prior year:		
Ultimate losses	(9,123)	(40,405)
Discounting	17,683	17,845
Net unpaid for claims of prior years	624,206	577,375
Provision for claims occurring in the current year	199,880	186,179
Net unpaid claims - end of year	$ 824,086	$ 763,554

(iv) Structured Settlements:

The Auto Fund settles some long-term disability claims by purchasing annuities from various financial institutions for its claimants. The settlements legally release the Auto Fund from its obligations to the claimants. Consequently, neither the annuities purchased nor the claim liabilities are recognized on the Statement of Financial Position. However, as part of the settlement, the Auto Fund provides a financial guarantee to the claimants in the event the financial institutions default on the scheduled payments. As at December 31, 2007, no information has come to the Auto Fund's attention that would suggest any weakness or failure in the financial institutions from which it has purchased the annuities. The net present value of the scheduled payments as of the year-end date is $22,848,000 (2006 - $24,352,000).

9. Redevelopment Reserve

Changes to the Redevelopment Reserve are as follows:

	(thousands of $) 2007	2006
Redevelopment Reserve, beginning of year	$ 33,704	$ 35,000
Appropriated to Rate Stabilization Reserve	(2,679)	(1,296)
Redevelopment Reserve, end of year	$ 31,025	$ 33,704

10. Investment Earnings

The components of investment earnings are as follows:

	(thousands of $) 2007	2006
Net realized gain on sale of investments	$ 44,387	$ 34,740
Interest	34,223	34,590
Pooled equity funds	8,261	4,310
Dividends	3,709	3,910
Pooled mortgage funds	924	-
Income producing property, net of operating costs of $961,000 (2006 - $939,000)	742	862
Capital lease	313	378
Investment write downs	(1,210)	(121)
Total investment earnings	$ 91,349	$ 78,669

Cash inflows from the income producing property are $969,000 (2006 - $1,030,000).

Investment write downs by category are as follows:

	(thousands of $) 2007	2006
Canadian common shares	$ (268)	$ (121)
United States common shares	(942)	-
Total investment write downs	$ (1,210)	$ (121)

11. Other Income

The components of other income are as follows:

	(thousands of $) 2007	2006
Net earnings on salvage sales	$ 5,651	$ 5,632
Payment option fees	15,118	14,597
Total other income	$ 20,769	$ 20,229

The Auto Fund operates a salvage division in order to maximize the derived economic value of salvageable vehicles, vehicle parts and materials available through the claim settlement process. Total salvage sales in 2007 are $25,027,000 (2006 - $23,523,000).

The Auto Fund offers a Short-Term Vehicle Registration and Insurance Plan which allows customers to choose the number of months they wish to insure and register their vehicle. Another payment option, AutoPay, allows customers to have equal monthly withdrawals made from their bank accounts for their vehicle registration and insurance (note 4). The fees charged for the payment options are included in other income.

12. Change in Non-Cash Operating Items

The change in non-cash operating items is comprised of the following:

	(thousands of $) 2007	2006
Accounts receivable	$ 12,078	$ (13,286)
Deferred policy acquisition costs	(1,176)	(1,977)
Prepaid expenses and inventories	(193)	(192)
Accounts payable and accrued charges	(9,484)	(2,568)
Premium taxes payable	(25)	2,002
Unearned premiums	1,902	18,673
Provision for unpaid claims	60,532	16,565
	$ 63,634	$ 19,217

13. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Auto Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Transactions and amounts outstanding at year-end are as follows:

Category	2007	2006
Accounts receivable	$ 96	$ 928
Deferred policy acquisition costs	12,663	12,555
Investments	5,812	10,817
Accounts payable and accrued charges	911	29
Premium taxes payable	28,078	28,103
Unearned premiums	3,287	3,272
Provision for unpaid claims	96	90
Gross premiums written	7,305	7,341
Net premiums earned	7,277	7,110
Claims incurred	19,161	22,958
Administrative expenses	2,954	2,832
Premium taxes	27,970	27,221
Traffic safety programs	2,664	2,444
Investment earnings	482	495

SGI acts as administrator of the Auto Fund. Administrative and claim adjustment expenses incurred by SGI are allocated to the Auto Fund and SGI directly or on the basis of specific distributions. Amounts incurred by SGI and charged to the Auto Fund were $96,657,000 (2006 - $83,346,000) and accounts receivable are $3,007,000 (2006 - $1,613,000).

Other related party transactions are described separately in the notes.

14. Fair Value

The fair value of financial assets and liabilities, other than investments (note 2), net investment in capital lease (note 6) and unpaid claims (note 8) approximate carrying value due to their immediate or short-term nature.

15. Rebate to Policyholders

During the year, a rebate was approved whereby the Auto Fund issued a rebate cheque to each of its customers who were policyholders during 2006, subject to certain restrictions. The total rebate was $99,308,000 (2006 - $44,097,000).

16. Commitments and Contingencies

The Auto Fund has contractual obligations to provide funding to Saskatchewan health organizations for costs associated with rehabilitation for those involved in automobile accidents. The following is the funding anticipated to be provided over the next five years:

	(thousands of $)
2008	$ 18,991
2009	$ 19,185
2010	$ 12,616
2011	$ 10,500
2012	$ 10,500

The Auto Fund has contracted with consulting firms to manage and consult on a project to redevelop its information systems. The remaining commitment for services to be provided from 2008 to 2010 is $6,849,000 (2006 - $6,393,000). In addition, the Auto Fund is committed to a related party until 2011 for a telecommunications contract. At December 31, 2007 the remaining commitment is $721,000 (2006 - $844,000).

In common with the insurance industry in general, the Auto Fund is subject to litigation arising in the normal course of conducting its insurance business. The Auto Fund is of the opinion that this litigation will not have a significant effect on its financial position or results of operation of the Auto Fund.

17. Comparative Financial Information

For comparative purposes, certain 2006 balances have been reclassified to conform to 2007 financial statement presentation.

Corporate Governance

The Canadian Securities Administrators and securities regulators across Canada have implemented governance policies for publicly traded companies. National Policy 58-201 and National Instrument 58-101 came into effect on June 30, 2005. While Saskatchewan Government Insurance is not publicly traded and therefore not required to comply with these guidelines, they provide an excellent benchmark to measure good governance practices.

National Policy 58-201 Corporate Governance Guidelines

Guideline	Saskatchewan Government Insurance
Composition of the Board	
1. The board should have a majority of independent directors.	Yes. The board of directors is constituted of a majority of independent directors.
2. The chair of the board should be an independent director. Where this is not appropriate, an independent director should be appointed to act as "lead director." However, either an independent chair or an independent lead director should act as the effective leader of the board and ensure that the board's agenda will enable it to successfully carry out its duties.	Yes. The Chair of the board is an independent director.
Meetings of Independent Directors	
3. The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.	Yes. The board of directors has meetings in-camera, during which no management is in attendance, at every board and committee meeting, as well as on an as-required basis. In addition, the board holds regular in-camera meetings where non-independent directors and members of management are not in attendance.
Board Mandate	
4. The board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:	Yes. The board has approved Terms of Reference (Mandate) which explicitly acknowledge responsibility for the stewardship of the corporation.
(a) to the extent feasible, satisfying itself as to the integrity of the chief executive officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;	Yes. The board has approved the Corporate values to which all employees, including the CEO and senior management, are expected to operate.

National Policy 58-201 Corporate Governance Guidelines

Guideline	Saskatchewan Government Insurance
(b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;	Yes. The board of directors holds an annual multi-day strategic planning session. This session provides the basis of the corporation's strategic plan and initiatives, as well as direction to management in the formation of corporation's operating budget and goals. Further, the board is provided with periodic updates during the year on the progress of the corporate strategic initiatives.
(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;	Yes. The board of directors undertakes a process to identify the principal risks of the business, to achieve a proper balance between risks incurred and potential returns and to oversee the implementation of appropriate systems to manage the risks. The board of directors has charged the Audit and Finance committee with responsibility for this function and it reports to the board on those risks at least on an annual basis.
(d) succession planning (including appointing, training and monitoring senior management);	Yes. The board of directors has charged the Governance and Human Resources committee with responsibility for the corporation's succession plan. The committee reviews the plan on an annual basis and reports its findings to the board.
(e) adopting a communication policy for the issuer;	Yes. The corporation has a formal communications policy which has been approved by the board of directors.
(f) the issuer's internal control and management information systems; and	Yes.
(g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer.	Yes.
The written mandate of the board should also set out: (i) measures for receiving feedback from stakeholders (e.g., the board may wish to establish a process to permit stakeholders to directly contact the independent directors), and	Yes. The corporation also undertakes research annually on behalf of the board.

National Policy 58-201 Corporate Governance Guidelines

Guideline	Saskatchewan Government Insurance
(ii) expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials.	Position descriptions for directors were developed and approved.
In developing an effective communication policy for the issuer, issuers should refer to the guidance set out in *National Policy 51-201 Disclosure Standards.*	
Position Descriptions 5. The board should develop clear position descriptions for the chair of the board and the chair of each board committee. In addition, the board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.	Position descriptions for directors were developed and approved. A position description for the CEO has been developed and approved. The board has developed and approved corporate goals and objectives.
Orientation and Continuing Education 6. The board should ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). All new directors should also understand the nature and operation of the issuer's business.	Yes. The Terms of Reference for the board specify the responsibility for director training, which has been delegated to the Governance committee. New directors receive an orientation which provides a overview of the corporation, its operations and its industry. Further, directors are educated on the role of the board, its committees and the expectation of directors. The director position description describes a director's responsibilities.
7. The board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.	Yes. The board provides opportunities for all directors to increase their knowledge of issues and subjects facing the corporation. Further, Crown Investments Corporation provides annual director training opportunities to all Crown corporation directors.
Code of Business Conduct and Ethics 8. The board should adopt a written code of business conduct and ethics (a code). The code should be applicable to directors, officers and employees of the issuer. The code should constitute written standards that are reasonably designed to promote integrity and	Yes. The board has adopted a written Code of Conduct for directors and a Corporate Code of Ethics and Conduct which is applicible to directors, officers and employees.

Guideline	Saskatchewan Government Insurance
to deter wrongdoing. In particular, it should address the following issues:	
(a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;	Yes. Conflicts of interest are addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.
(b) protection and proper use of corporate assets and opportunities;	Yes. The protection and proper use of corporate assets and opportunities are addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.
(c) confidentiality of corporate information;	Yes. The confidentiality of corporate information is addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.
(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;	Yes. The fair dealing with customers, suppliers, competitors and employees is addressed in the Corporate Code of Ethics and Conduct.
(e) compliance with laws, rules and regulations; and	Yes. The compliance with laws, rules and regulations is addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.
(f) reporting of any illegal or unethical behaviour.	Yes. The reporting of any illegal or unethical behaviour is addressed in the Corporate Code of Ethics and Conduct, and more specifically in the Whistleblower Policy.
9. The board should be responsible for monitoring compliance with the code. Any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the board (or a board committee) only.	Yes. The Human Resources committee receives an annual report concerning compliance with the code. On an as required basis, the Human Resources committee may grant a waiver from the code.
Although issuers must exercise their own judgment in making materiality determinations, the Canadian securities regulatory authorities consider that conduct by a director or executive officer which constitutes a material departure from the code will likely constitute a "material change" within the meaning of National Instrument 51-102 Continuous Disclosure Obligations. National Instrument 51-102 requires every material change report to include a full	Not applicable.

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description of the material change. Where a material departure from the code constitutes a material change to the issuer, we expect that the material change report will disclose, among other things: • the date of the departure(s), • the party(ies) involved in the departure(s), • the reason why the board has or has not sanctioned the departure(s), and • any measures the board has taken to address or remedy the departure(s).	
Nomination of Directors	
10. The board should appoint a nominating committee composed entirely of independent directors.	Yes. The board has charged the Governance committee with the responsibility of the nomination of directors. The committee is comprised entirely of independent directors.
11. The nominating committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees), and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.	Yes. The Governance committee's charter is contained within the Terms of Reference.
12. Prior to nominating or appointing individuals as directors, the board should adopt a process involving the following steps:	
(a) Consider what competencies and skills the board, as a whole, should possess. In doing so, the board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.	Yes. The Governance committee undertakes a skills assessment on an annual basis.

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(b) Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the board. Instead, the board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.	Yes. The Governance committee undertakes a needs assessment on an annual basis.
The board should also consider the appropriate size of the board, with a view to facilitating effective decision-making.	Yes. The Governance committee reviews and recommends the size of the board.
In carrying out each of these functions, the board should consider the advice and input of the nominating committee.	Yes. The Governance committee reports regularly to the board and when required makes recommendations. It should be noted however that director appointments are made by Order-in-Council.
13. The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees for the next annual meeting of shareholders.	Yes. The Governance committee has a recruitment and selection process which it undertakes prior to making recommendations for appointments to the board of directors and Crown Investments Corporation.
14. In making its recommendations, the nominating committee should consider:	
(a) the competencies and skills that the board considers to be necessary for the board, as a whole, to possess;	Yes. The Governance committee reviews the competencies and skills required for the board as a whole.
(b) the competencies and skills that the board considers each existing director to possess; and	Yes. The Governance committee reviews the competencies and skills of each of the directors.
(c) the competencies and skills each new nominee will bring to the boardroom.	Yes. The Governance committee reviews the competencies and skills of nominee directors.
The nominating committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a board member.	Yes. During the recruitment and selection process, the Governance committee ensures that potential nominees understand the requirements and have sufficient time and resources to devote to the board member responsibilities.

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Compensation	
15. The board should appoint a compensation committee composed entirely of independent directors.	Yes. The board has delegated the responsibilities for compensation to the Human Resources committee.
16. The compensation committee should have a written charter that establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.	Yes. The Human Resources committee's charter is contained within the Terms of Reference. The committee has the authority to engage and compensate any outside advisor it may determine is necessary to carry out its duties.
15. The compensation committee should be responsible for:	
(a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the board with respect to) the CEO's compensation level based on this evaluation;	Yes. The Human Resources committee undertakes a detailed CEO evaluation on an annual basis. As part of that evaluation, the committee reviews the previous corporate goals and objectives and evaluates the CEO's performance against those goals and objectives. The findings of the evaluation and any compensation changes resulting from the review are recommended to the board.
(b) making recommendations to the board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and	Yes. The Human Resources committee reviews and recommends to the board and Crown Investments Corporation of Saskatchewan any changes to compensation.
(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.	Not applicable. Individuals reporting to the CEO, which include all executive members, are required by legislation to file and report any changes in their compensation to the Clerk of the Saskatchewan Legislature within a 14 day period of time. Further, by policy of the Crown and Central Agencies committee of the Legislature, the corporation is required to file an annual payee list which also contains the compensation of all members of the executive.

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Regular Board Assessments	
18. The board, its committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider:	Yes. The board conducts on a rotational basis peer assessments and reviews of the board and the chair.
(a) in the case of the board or a board committee, its mandate or charter, and	Yes. The board and its committees review their terms of reference on an as needed basis and at least every three years.
(b) in the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the board.	Yes. The board has a position description for directors, further, individual director's skills and competencies are reviewed as part of the regular assessments.

Glossary of Terms

Catastrophe reinsurance
A policy purchased by a ceding company that indemnifies that company for the amount of loss in excess of a specified retention amount subject to a maximum specific limit from a covered catastrophic event.

Claims incurred
The totals for all claims paid and related claim expenses during a specific accounting period(s) plus the changes in the provision for unpaid claims for the same period of time.

Combined ratio
A measure of total expenses (claims and administration) in relation to net premiums earned as determined in accordance with GAAP. If this ratio is below 100% there was a profit from underwriting activities, while over 100% represents a loss from underwriting.

GAAP
Generally accepted accounting principles. These are defined in the handbook prepared by the Canadian Institute of Chartered Accountants.

Gross premiums written (GPW)
Total premiums, net of cancellations, on insurance underwritten during a specified period of time before deduction of reinsurance premiums ceded.

IBNR reserve
Abbreviation for 'incurred but not reported'. A reserve that estimates claims that have been incurred by a policyholder but not reported to the insurance company. It also includes unknown future developments on claims that have been reported.

Loss ratio (Claims ratio)
Claims incurred net of reinsurance expressed as a percentage of net premiums earned for a specified period of time.

Motor licence issuer
A person who negotiates driver's licences and vehicle licence/insurance on behalf of the Auto Fund who receives a fee from the Auto Fund for licences placed and other services rendered.

Net premiums earned (NPE)
The portion of net premiums written that is recognized for accounting purposes as revenue during a period.

Net premiums written (NPW)
Gross premiums written for a given period of time less premiums ceded to reinsurers during such period.

Premium
The dollars that a policyholder pays today to insure a specific set of risk(s). In theory, this reflects the current value of the claims that a pool of policyholders can be expected to make in the future, as well as the costs of administering those potential claims.

Premium tax
A tax collected from policyholders and paid to the Province. It is calculated as a percentage of gross premiums written.

Prudent person
A common law standard against which those investing the money of others are judged against.

Redundancy & deficiency
Claim reserves are constantly re-evaluated. An increase in a reserve from the original estimate is a deficiency while a decrease to the original reserve is called a redundancy.

Underwriting profit/loss
The difference between net premiums earned and the sum of net claims incurred, commissions, premium taxes and all general and administrative expenses.

Unearned premiums
The difference between net premiums written and net premiums earned. It reflects the net premiums written for that portion of the term of its insurance policies that are deferred to subsequent accounting periods.

Board of Directors

Nancy E. Hopkins (Chair)
Lawyer, McDougall Gauley
Saskatoon, SK
Audit and Finance Committee,
Governance and Human Resources Committee,
Investment Committee

Joan F.D. Baldwin
Doctor
Regina, SK
Audit and Finance Committee (Chair)

J. Walter Bardua (Vice Chair)
Retired Insurance Professional
Nanaimo, BC
Governance and Human Resources Committee (Chair),
Investment Committee

Kendra Chesney
Information Technology Analyst, SGI
Regina, SK
Investment Committee

Merin Coutts
Regional Sales Manager, Shaw Cable Systems G.P.
Saskatoon, SK
Investment Committee

Robert Fenwick
Retired Insurance Professional
Markinch, SK
Governance and Human Resources Committee

W.J.A. (Bill) Heidt
Retired Insurance Professional
Kelowna, BC
Investment Committee (Chair),
Audit and Finance Committee

Wayne Hovdebo
Farmer
Birch Hills, SK
Audit and Finance Committee

Arleen Hynd
Retired Chartered Accountant
Regina, SK
Audit and Finance Committee,
Governance and Human Resources Committee

Jim Mills
Retired Insurance Broker, Licenced Realtor
Elrose, SK
Investment Committee

Ron Osika
Retired RCMP,
Former Saskatchewan Crop Insurance Executive,
Mayor, Fort Qu'Appelle
Fort Qu'Appelle, SK
Governance and Human Resources Committee

Corporate Officers

Vice Presidents

Earl Cameron
Vice President
Claims & Salvage

John Dobie
Vice President
Canadian Operations

Randy Heise
Vice President
Underwriting

Don Thompson
Chief Financial Officer

Dwain Wells
Vice President
Systems & Facilities

Sherry Wolf
Vice President
Auto Fund

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